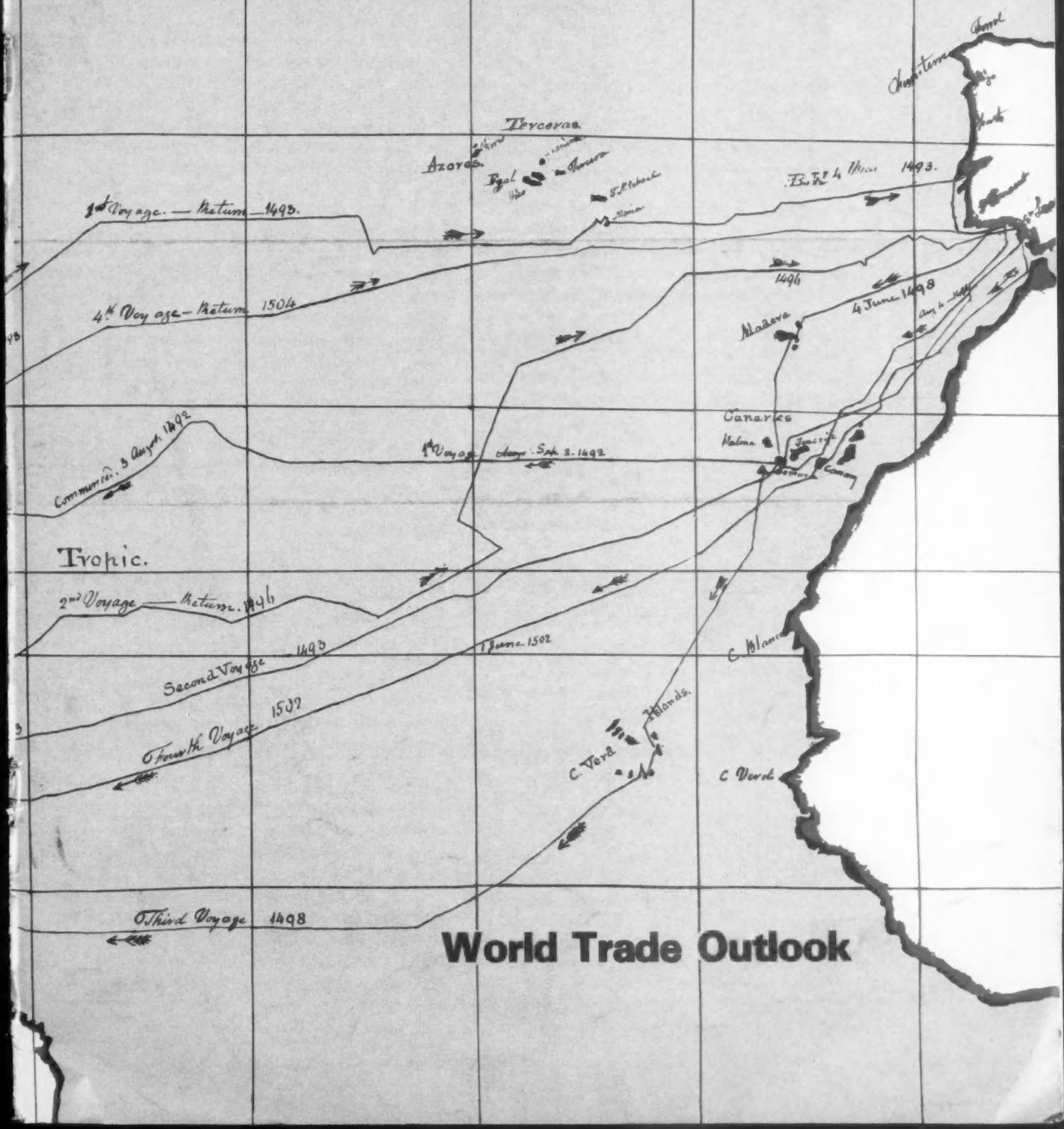
JULY 22, 1974

Commerce Today



World Trade Outlook

FROM THE SECRETARY

Trade Policy Issues Today

This column was written by Under Secretary of Commerce John K. Tabor.

The world community has benefited greatly from the progressive liberalization of trade policies since the end of World War II. World trade last year totaled more than $500 billion, up from only $60 billion in 1950. By allowing the basic trading principles of comparative advantage and competition to work, this historic increase in economic activity has improved living standards in all nations.

It has not, of course, provided anything near a parity of living standards among nations. But given the long and troubled and often indifferent history of the race, we have made more progress in that direction in the last quarter century than in any other comparable period.

Liberalization of trade, however, does not happen through wishful thinking. It involves long sessions of hard bargaining within the painstakingly put together system of international trade.

In the upcoming multilateral negotiations under the General Agreement on Tariffs and Trade, over 100 of the world's trading nations will be seeking to reduce barriers to free trade, especially such non-tariff barriers as import quotas, fees and export subsidies, which impede equitable access to markets. And we can expect that a vital new aspect of international trade will also be discussed, namely, equitable access to supplies.

Until recently, the problem of market access was viewed by the United States as the most important agenda item in international trade negotiations. To be sure, that will remain our primary trade policy objective. But it can be anticipated that this issue will be considered in conjunction with the issue of equitable access to supplies.

The problems raised by short supplies and rising prices impact both international trade and monetary policy: No industrial nation can escape these problems. Therefore, solutions must come from international cooperation and consultation, and not through short-sighted unilateral or bilateral actions.

The worldwide economic collapse of the 1930's should be lesson enough in the extreme consequences of "going it alone" in international economic affairs.

The United States is in a much better position than most industrialized nations as regards relative self-sufficiency in energy and other raw materials. If any nation could attempt to successfully "go it alone," we could. Although we consume about 30 per cent of the world's mineral production, most of this consumption derives from domestic resources. But we recognize that no nation can isolate itself from the world.

The most efficient use of the world's resources, the most efficient use of our planetary riches, puts such policies beyond the pale of reason.

The United States has initiated efforts on several fronts both to assess the dimensions of the short-supply problem and to focus attention on its various aspects in appropriate international forums. There is much yet to be learned about these problems, and their real extent has not yet been fully determined.

But if we can learn, as a world community of rational men and reasonable leaders, to manage this problem of resource availability—manage it with equity and justice for all peoples, producers and consumers alike—if we can learn that, we will be laying the foundation for an era of unparalleled political and economic stability here on our little and long-beleaguered planet.

On the other hand, if we fail to manage it fairly and justly, if we allow the uneven distribution of the earth's resources to breed conflict and discord among us, we will be sowing the seeds of world calamity—for all people.

The people of this planet can, if they wish and their leaders so design, join hands and aspirations for greater economic progress in the world. Or we can clench our fists and trade economic blows and insults instead of resources and goods and technology.

That is our choice: a prosperous and promising new order of economic cooperation among nations, or bitter anarchy in trade.

The GATT talks and the underlying trade bill are key steps toward the order of economic cooperation.

John K. Tabor

Commerce Today

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COVER: *The World Trade Outlook in the summer of 1974, as examined throughout this special issue, has some of its roots in the four historic voyages of Columbus. They are depicted on this map from "Coleccion de los viajes y Descubrimientos," published in Madrid in 1825, and available in the Geography and Map Division of the Library of Congress.*

Growth Of Jobs Resumes At Modest Pace; Unemployment Rate Shows Little Change

Economic Highlights is prepared by the Office of the Assistant Secretary for Economic Affairs.

Gains in employment in both May and June offer a kernel of hope that the job situation in the months ahead may be brighter than would normally be expected following an economic slowdown.

The size of the increases was not large by the standards of 1972 and 1973. The total of about 400,000 for the two months, for example, was less than the gain in either September or October of last year—the last major expansion in jobs before the oil embargo exacerbated a general slowdown in the economy. The increases were in sharp contrast, however, to the economy's job-creating performance in the previous six months. As indicated by the first chart on the opposite page, total employment showed virtually no net gain from October through April.

Lag in job growth

While the unemployment rate receives a great deal of attention as a comprehensive measure of the apparent degree of difficulty experienced by job-seekers, employment growth is more closely related to economic growth. The changes in total employment do not represent a leading indicator, however, since they tend to lag behind developments in economic activity.

Following the 1970 recession, employment declined slightly in the first quarter of 1971 even though Gross National Product expanded at an extremely high rate. In fact, it was mid-1971 before there was any appreciable increase in the number of jobs. Then, in the next 30 months, from mid-1971 to the end of 1973, employment rose by more than 7 million, or about 9 percent, to 85.7 million.

Two factors probably account for the lag between employment expansion and stepped-up production. First, after a slowdown in the economy, many firms can increase output without increasing labor inputs. Second, many firms prefer to schedule overtime hours for their existing work force rather than hire new workers until they are reasonably certain the volume of business will continue to increase and additional man-hours will be required on a permanent basis.

In the recent slowdown, the rate of growth in GNP started declining in the second quarter of 1973 and apparently reached a climax with 6.3 percent drop in GNP in the first quarter of this year. On the basis of preliminary data, a small decrease in production occurred in the second quarter.

If the increase over the last two months turns out to be the beginning of a longer-term employment growth trend and not merely a temporary phenomenon, then the resumption of expansion in jobs is occurring much sooner than would normally be expected. One may tentatively conclude that the 1973-'74 slowdown, which included the oil embargo and a peacetime record burst of inflation, was quite different from those of the past.

In the second quarter, it is quite possible that two distinct developments occurred which had opposite effects on employment: persons who had lost their jobs as a result of the oil embargo may have been returning to work while other workers were losing their jobs in other sectors, reflecting the impact of the general economic slowdown that began in the spring of 1973. For example, auto workers were returning to their jobs following the disruptions in that industry resulting from the energy crisis while employment in construction declined because of the slump in homebuilding.

White-collar gains

The second and third charts show interesting changes in the composition of those employed in recent quarters. The large increase this year in the number of employed females and the decline in the number of male workers is an intensification of a long-term trend as well as a cyclical effect. An increasing percentage of women have been entering the labor force for decades. Jobs held by women apparently tend to be more stable and less subject to layoffs in economic slowdowns. Over the past four quarters, the number of employed females has increased by about 100 for every increase of 65 in the number of employed males. The male and female categories shown on the chart include teenagers, who are also shown separately.

Both short-and long-term effects probably also figure in the dramatic difference between the growth of white-collar and blue-collar employment. Over the past four quarters, the number of white collar workers has increased 1.9 million while blue-collar workers have decreased by 212,000. During periods of slow economic growth, blue-collar workers—especially production workers in factories—are much more vulnerable during cutbacks in production. Also, there is a long-term trend toward more white-collar workers as computers and other machines take over manual tasks.

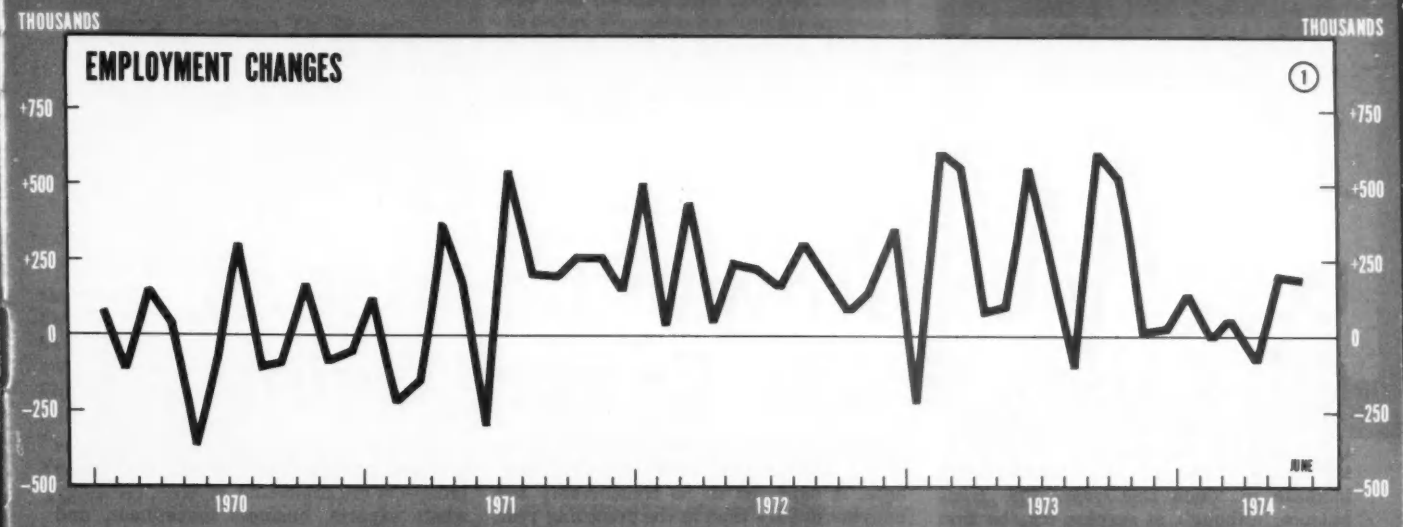
The percentage of those in the civilian labor force who lost their last job, as shown in the fourth chart, moved up during the energy crisis to the highest level since late 1972. It has shown little change, however, in the first half of this year.

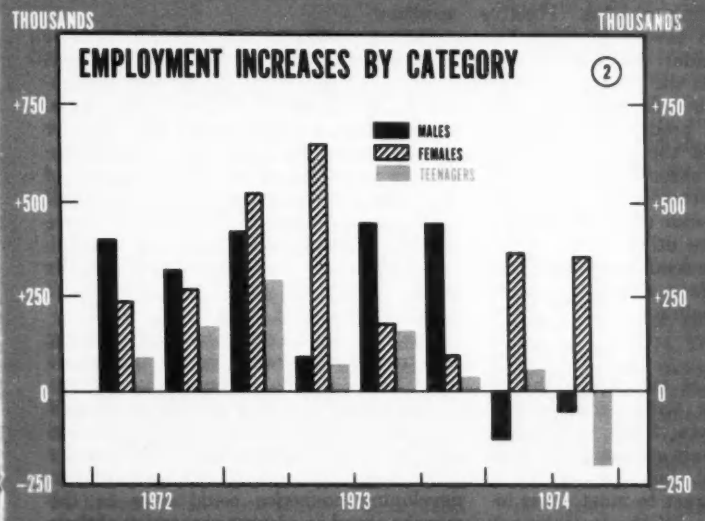
Jobless rate steady

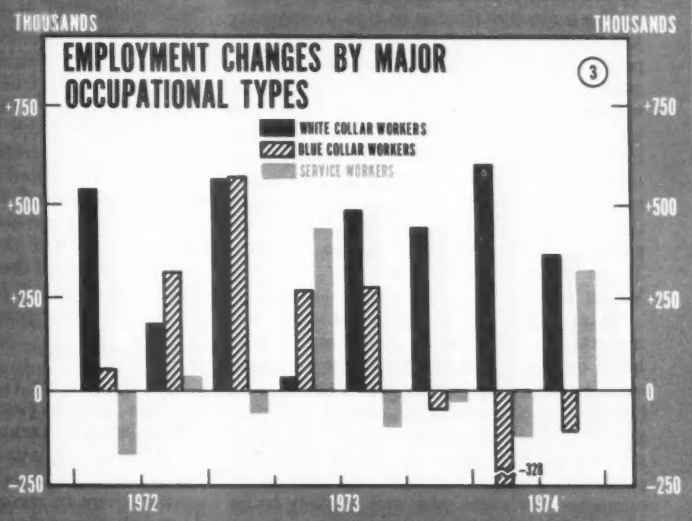
A bellwether statistic, the unemployment rate for married men, has generally remained around 2.5 percent this year, except for a temporary drop to 2.2 percent in May. It had declined steadily for two years before turning up late last year. The extended drop, however, did not carry it to the low levels reached before the 1970 recession.

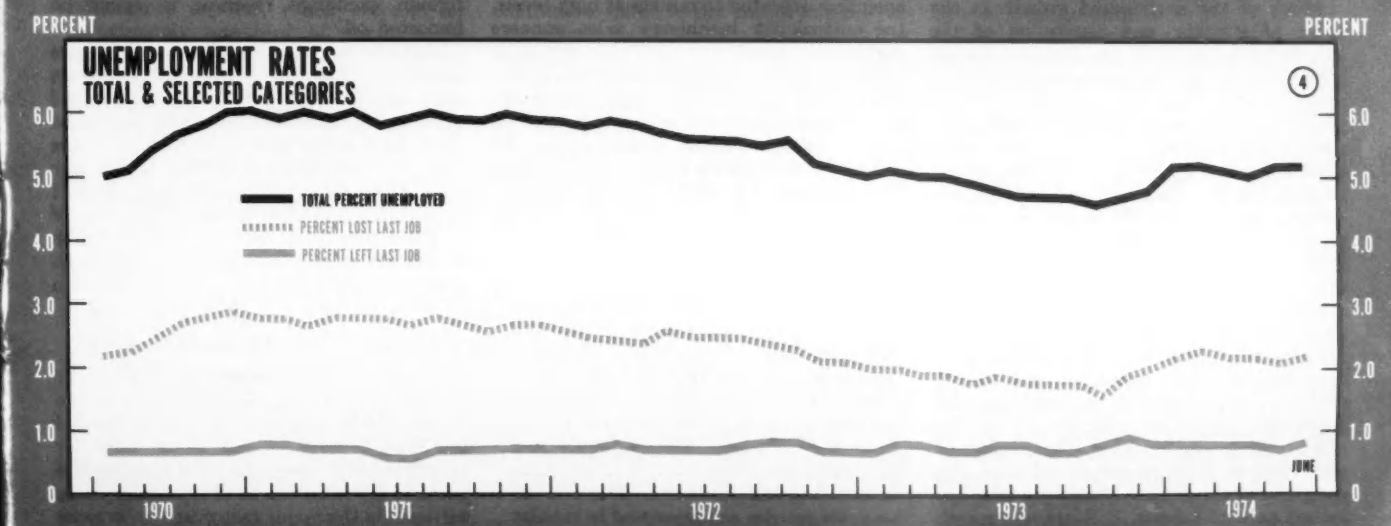
The total unemployment rate tends to lag further behind the business cycle than employment. The jobless rate declined steadily in 1972 and 1973, but the downward movement did not begin until after rapid economic growth had been underway for some time. Even though the expansion in production slowed in the spring of 1973, the downward momentum of the unemployment rate carried to October, when it reached a low of 4.6 percent.

The future course of the unemployment rate is difficult to predict since it depends on growth in the labor force, rate of expansion of economic activity and the consequent demand for production, and the number of man-hours needed to produce the desired output. An illustration of how one of these factors can influence the unemployment rate is the experience of 1974. The unemployment rate rose sharply to 5.2 percent in January, and it was expected to go higher as the January-March quarter registered one of the sharpest declines in GNP on record. Yet, growth in the labor force slowed and the jobless rate remained between 5 and 5.2 percent throughout the first six months of the year.









All data seasonally adjusted

Commerce Today

Vol. IV, No. 21, July 22, 1974

U.S. Trade Growth Continues; Oil Costs Erode Export Gains

Swelled by rapidly rising prices, U.S. foreign trade will record another large increase in value this year. The trade balance, although in surplus for the first five months of the year, is highly uncertain.

The main contributor to this uncertainty is the huge increase in world petroleum prices which have quadrupled in the past year. As a result, the oil import bill will rise enormously, despite the fact that the volume of petroleum receipts will change little. Based on current information regarding demand and supply factors in the rest of the year, it is estimated that imported oil will cost around $25 billion this year, up from only $7.7 billion in 1973. These figures exclude imports into the Virgin Islands.

This assured rise in the value of oil imports, coupled with substantial price hikes on many other imported products, is expected to swell sharply the nation's total foreign purchases. The growth in import value will, therefore, far exceed the 24 percent advance registered in 1973. On the other hand, export growth will decelerate compared with last year and is likely to be slower than that of imports.

Much of the anticipated growth in the value of exports, and nearly all of the import advance, will be attributable to higher prices, as foreshadowed by developments in the first five months. In that period, exports were $38,254 million, seasonally adjusted, equal to an annual rate of $91.8 billion, 30 percent above last year's total. Imports were $38,253 million, also an annual rate of $91.8 billion, but 33 percent higher than in 1973. After adjustments for price increases, however, the export expansion was over 8 percent, while imports declined by 3 percent from their 1973 level.

The surplus of $1.5 million trade in the first five months, measured in current dollars, represented a substantial deterioration from last year when a surplus of $1.7 billion was recorded. These balances were derived from imports valued on the usual Customs basis. When imports are valued on a c.i.f. basis, U.S. trade through May was in deficit by $2.7 billion.

Economic activity abroad, which is the major determinant of our export performance, is expected to be considerably less buoyant in 1974 than in the preceding year, though some pickup in key markets is anticipated in coming months. Positive factors which could favorably affect our sales in the remainder of 1974 are continuing benefits from the exchange rate realignments which have increased the competitiveness of U.S. products, order backlogs remaining from the economic boom abroad which lasted through much of 1973, increased demand from the oil-exporting countries, and worldwide shortages of some commodities. On the other hand, overall export growth in the remainder of the year will be restrained if farm shipments decline as now thought possible.

Area prospects

The outlook for U.S. exports for the remainder of the year varies considerably among major markets. Sales to Canada should remain relatively strong, given forecasts for continued bouyant economic growth there in contrast to most other industrial countries. With investment spending expected to remain at high levels, the outlook for machinery sales appears particularly good.

Prospects for slower economic activity in Western Europe signal a reduction in the rate of growth in the volume of U.S. exports to the region, though higher prices will insure a substantial gain in current dollar terms. Among the EC countries, sales to the United Kingdom and Italy are likely to be adversely influenced by economic difficulties. A moderate rate of expansion is forecast for exports to France. U.S. sales prospects are promising in West Germany where exports, business investment, and wage boosts are beginning to stimulate the economy.

Exports to Japan are also expected to rise, but are unlikely to match last year's 66 percent gain in light of the marked slackening in the Japanese economy. Industrial output there dropped in the first quarter due to energy shortages and an anti-inflationary monetary policy. A resumption of Japanese economic growth in the latter half of the year is expected, however, and there should also be continued demand for U.S. farm products. The depreciation of the dollar during the past three years will continue to benefit sales.

The outlook for exports to the developing countries shows a mixed picture. On the one hand, sales to the oil-producing nations should continue to rise sharply in view of their mounting foreign exchange reserves and expanded investment programs. On the other hand, exports to the rest of the developing countries could slow in the months ahead as a larger proportion of their foreign exchange reserves is spent on imported oil.

Exports to the Socialist countries are expected to rise more slowly this year than last. Declines in sales of agricultural products to the USSR should be more than offset by a sharp gain in shipments to the People's Republic of China. These are projected to climb, primarily as a result of greater sales of farm products. Exports of nonfarm products to the Soviet Union should continue to advance, as should both capital equipment and farm commodities to Eastern Europe.

Nonfarm exports to advance again

Nonagricultural products will account for most of the rise in U.S. exports this year. In January-May, nonfarm deliveries exceeded last year's level at the same time by approximately two-fifths. Continuing the pattern shown so far in 1974, rising prices will remain the major factor in the increase in the value of these exports.

Current economic conditions and the outlook for U.S. trade in the majority of countries with which U.S. firms do business are presented on pages 6-48. The 66 regional and country summaries are based on up-to-the-minute reports from U.S. Foreign Service Posts and other sources. Data on U.S. trade with selected countries not detailed in separate articles are presented in tabular form on Page 48.

Exports Continue To Show Large Gains In Value

Commodity	January-May 1974 Value	Change from Jan.-May 1973
	Millions of dollars	
Nonagricultural products	29,687	+9,003
Machinery	9,449	+2,541
Chemicals	3,476	+1,368
Motor vehicles & parts	2,896	+ 525
Iron & steel mill products	908	+ 465
Civilian aircraft	1,462	+ 309
Coal	594	+ 229
Paper	564	+ 217
Wood pulp	289	+ 131
Agricultural products	9,771	+3,353
Corn	1,711	+ 852
Wheat	1,669	+ 538
Soybeans	1,758	+ 476
Cotton	774	+ 322

Most industrial material exports should continue to expand in value through the year, reflecting higher prices and product shortages. Among chemicals, shipments of organic intermediates and plastics will remain particularly expansive in the following months. Steel exports almost doubled in January-May compared with a year ago under the combined stimulus of strong demand and limited supplies abroad. Sales will remain buoyant, although deliveries might decelerate later in the year. Steeper prices will boost the value of aluminum deliveries, but not much change is expected in quantity terms. Supplies available for export in the second half will be limited because of heavy U.S. demand and low inventory levels.

Machinery exports, which account for approximately one-third of nonfarm deliveries, should remain on a strong uptrend in 1974. Despite the slowdown in economic activity abroad, machinery sales have benefited from greater U.S. competitiveness that resulted from the depreciation of the dollar. Prospects are best for equipment in which U.S. producers have a technological advantage, such as computers, drilling and oilfield machinery, and electronic components.

A slowdown in automobile sales, in both Canada and this country, points to reduced growth in automotive shipments to Canada. The shift in consumer buying patterns toward compact and subcompact models, however, is expected to maintain deliveries of automotive parts and accessories for assembly, since these cars constitute most of Canadian auto production.

Sales of large civilian aircraft should exceed last year's level because of increased deliveries of wide-bodied passenger jets.

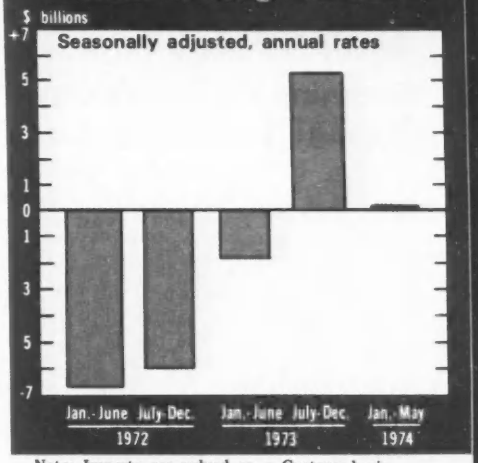
Strong foreign demand, in part because of low inventories, will provide another good year for agricultural exports. Anticipated increases in world production of many commodities and some tapering off in prices, which is already evident, are expected to keep the rise in value well below the huge $8 billion gain recorded in 1973. Reflecting earlier price increases, shipments of grain, soybeans, and cotton in the first five months were especially buoyant, but declines in some of these commodities are likely in the period ahead. Unfavorable crop developments in major countries between now and harvest time could alter this outlook.

Oil purchases to lead imports

Purchases of oil and other industrial supplies will again contribute most of the import rise in 1974. Through May, imports of fuel increased more than $6 billion over the comparable period of last year. All of this rise represented higher prices, as quantities were below last year's levels because of the cutoff in supplies from the Arab countries in the first three months. With Arab oil again flowing into this country, the value of petroleum entries will continue to climb in the period ahead even though unit values are not expected to rise further.

Other imported industrial supplies have also shown large price increases so far this year, assuring substantial rises in import values for 1974. Arrivals of copper, chemicals, steel, and woodpulp—all at much higher unit values—were particularly expansive in the first five months and are likely to show further increases in value in the rest of the year.

Two Years' Trade Balance Gains Being Eroded



Note: Imports are valued on a Customs basis.

Imports of consumer goods have increased at a relatively moderate rate, advancing by 11 percent over January-May 1973 levels. Most of the advance reflected greater arrivals of automobiles from overseas. The inflow of foreign cars may moderate in coming months, because the volume of imports this year has outpaced sales by a considerable margin, and inventories have built up to relatively high levels. Although the volume of passenger car entries from Canada fell in January-May, purchases might rise later in the year given a possible pickup in auto sales here.

The outlook for imports of other types of consumer goods will depend in part on the strength of consumer spending in the remainder of 1974. Current forecasts indicate a rise in consumer outlays in the second half which could stimulate a faster rise in the inflow of these products.

Capital goods imports advanced by one-fourth through May as U.S. investment spending continued strong. If projections of further increases in U.S. capital outlays are borne out, these purchases will probably keep expanding through the remainder of the year. Imports of machinery, trucks, and aircraft parts are all expected to contribute to the increase.

Higher prices accounted for much of the 26 percent expansion in food imports. The rise should moderate in the months ahead with some improvement in supplies and an easing of the upward pressure on prices. Coffee imports, which climbed substantially in the first five months because of inventory building and rising prices, will probably decelerate now that stocks have reached high levels. Sugar imports—up 50 percent in value over 1973—are also likely to slow if the tight world supply situation improves in response to expected production increases.

Petroleum Receipts Surge In Value, Decline In Quantity

	January-May 1974 Million dollars Value	Million barrels Quantity	% change from Jan.-May 1973 Value	Quantity
Petroleum and products	9,016	883	+250	-3
Crude and partly refined petroleum	6,398	523	+260	-2
Residual fuel oil	2,197	231	+241	-3
Distillate fuel oil	510	44	+122	-47
Gasoline	356	19	+1,324	+375
Jet fuel	228	21	+135	-22

Note: Data exclude imports into the Virgin Islands, which amounted to $675 million in January-May 1974.

Canada

Booming Capital Outlays Presage Expanding Trade

Canada is unique among developed countries in that its economy is enjoying vigorous growth. Because of its vast energy resources, according to Patrick T. O'Connor of the Bureau of International Commerce, it is the only major nation which this year will be spared wrenching balance-of-payments losses as a result of the rise in world oil prices. Foreign trade, one of the mainstays of the Canadian boom, is running at levels appreciably higher than last year and will likely continue to do so for the remainder of 1974. In 1973 U.S.-Canadian trade amounted to $33.5 billion.

The Canadian economy snapped into high gear early in 1973 to produce a real growth rate of 6.8 percent and a GNP of $118.7 billion for the year. The boom was very broad-based, touching almost all sectors of the economy. Originally paced by exports, housing and consumer spending, the tempo quickened when a long awaited upsurge in business spending on new plant capacity and equipment began in the latter part of 1973. Although the rate of growth is expected to slow to perhaps 5 to 5.5 percent this year, the elements which fueled the 1973 boom are still operative, relatively undaunted by problems of fuel supply and commodity shortages which beset most of the other nations of the world.

Blessed with a wealth of natural resources, Canada is also the only country in the world which is both a major importer and a major exporter of oil, with eastern Canada depending on formerly cheaper oil from abroad while approximately one-half of the then more expensive oil produced in western Canada was exported to the central United States. The Canadians have managed to keep the domestic prices of petroleum products below world levels by means of a sliding tax on oil exports to the United States, which effectively neutralizes the balance-of-payments effect of oil they must still import from abroad pending completion of a trans-Canada pipeline sometime in 1977. The Canadians appear to have ample justification for their belief that their real growth will exceed that of any other developed nation in 1974. Present estimates forecast a GNP for 1974 of around $130 billion in current terms.

Business confidence remains high, but with a wary eye cocked on the United States, Canada's main foreign market, and on the climbing rate of inflation which has already produced some labor unrest with several unions demanding cost of living adjustment clauses in their contracts. Indeed, the recent election campaign was centered almost solely on economic issues affecting the Canadian consumer, with each party offering its own palliative for inflation.

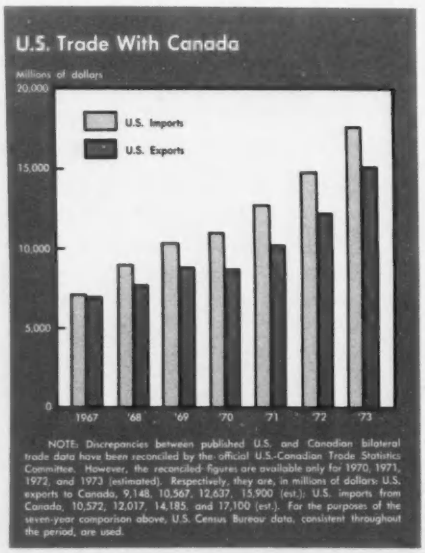
The inflation rate for all of 1973 was 7.6 percent; in April consumer prices stood about 10 percent higher than they had one year before, while wholesale prices were up by almost 26 percent, portending further sizable price hikes.

On the trade front, imports and exports were up in value by a seasonally adjusted 31 and 25 percent, respectively, for the first quarter of 1974 when compared with the first quarter of 1973. Indicative of the fact that the two economies are moving in opposite directions, during the same comparative periods imports from the United States also rose by 31 percent (to $5 billion), but exports to the United States were up by only 18.6 percent (to $4.9 billion). Canada exports about 20 percent of its GNP, of which 14 percent is absorbed by the huge U.S. market alone, which explains Canadian concern with economic developments in this country. Canada's trade surplus for the first quarter was $132 million versus about $470 million the year before.

The buoyant economy, coupled with measures taken by the banking authorities to hold down interest rates, have exerted some upward pressure on the Canadian dollar, which remained on a par value with the U.S. dollar throughout 1973. By early June the Canadian dollar had appreciated by a little less than 4 percent. This small difference should have no telling effect on trade, but this could change were the gap to widen by a few more percentage points.

Lost at least temporarily was a Trudeau government proposal, contained in the defeated budget message, to extend the temporary tariff reductions on almost 200 consumer items, the majority of them emanating from the United States, to Dec. 31. Consequently, the tariffs were raised back to their original levels on June 30. There is, however, some hope that the cuts may be restored.

Two important pieces of legislation affecting American exporters of prepackaged consumer goods and prospective American business investors took effect earlier this year. The first is the new labeling and packaging regulations requiring bilingual labeling in French and English, standardized metric packaging for certain products, and metric weights and/or Canadian liquid measurements (see *Commerce Today*, Oct. 29, page 47-48). All non-food prepackaged consumer items must comply with the law by Sept. 1, 1975; producers of prepackaged food items must be in compliance by March 1, 1976.



NOTE: Discrepancies between published U.S. and Canadian bilateral trade data have been reconciled by the official U.S.-Canadian Trade Statistics Committee. However, the reconciled figures are available only for 1970, 1971, 1972, and 1973 (estimated). Respectively, they are, in millions of dollars: U.S. exports to Canada, 9,148, 10,567, 12,637, 13,900 (est.); U.S. imports from Canada, 10,572, 12,017, 14,185, and 17,100 (est.). For the purposes of the seven-year comparison above, U.S. Census Bureau data, consistent throughout the period, are used.

The second is establishment of the Foreign Investment Review Agency, as provided for by the Foreign Investment Review Act of 1973, to screen proposed foreign takeovers of Canadian firms whose gross assets are in excess of $250,000 or whose gross annual sales exceed $3 million to determine whether the takeover will result in "significant benefit" to Canada. Eventually, probably sometime in 1975, the screening process will be expanded to include all new foreign investment in Canada regardless of value. This marks the first attempt of the Canadian Government to control foreign investment. Copies of the Act, known as Bill C-132, can be obtained by writing to: Information Canada, Ottawa, Ontario, Canada.

Opportunities for American exporters are almost unlimited in Canada this year. In the first four months of 1974 significant percentage gains were realized on U.S. shipments of raw sugar, crude petroleum, plastic materials, steel plate, trucks and truck tractors, motor vehicle parts, aircraft and aircraft engines, communications equipment, electronic tubes and semiconductors, and computers.

Capital spending outlays are expected to reach $30.3 billion, a 16 percent increase over 1973 which saw a rise of 18 percent. Outlays will be almost evenly divided between new construction and acquisition of new equipment and machinery. The business spending boom covers the gamut of industry, but is especially strong in mining and manufacturing. In the latter category, a sharp 28 percent increase in capital spending is anticipated everywhere except for knitting mills and clothing factories. Underscoring the need for expansion was the fact that in January unfilled orders on hand totaled $8.1 billion, a record high for a single month.

Housing starts and completions reached record highs in 1973. Despite fast rising costs and interest rates, housing starts are expected to number over 250,000 for 1974. Since housing starts are in sharp decline in the United States, the Canadian market presents a real attraction for U.S. suppliers of construction equipment and materials as well as firms manufacturing furniture, carpeting and home furnishings. A recently completed survey of the furniture market can be obtained by writing to: OIM/BIC, No. Europe Division, U.S. Department of Commerce, Washington, D.C. 20230.

U.S. Sales To Latin America May Hit $13 Billion In 1974

Traditional Major Markets Offer Many Opportunities

The level of U.S. exports to Latin America continued to rise rapidly in 1973 and in the early months of 1974. U.S. exports to the area reached $9.9 billion in 1973 and may well total $13 billion in 1974, according to Bernard J. Cahill of the Bureau of International Commerce.

Rising prices of U. S. goods are important in causing the very substantial increase in the value of U.S. export trade with the area. Significant factors from the viewpoint of U.S. commercial interests that will have a favorable impact on U.S. trade prospects in the months ahead, however, include the continuing effect of currency realignments, the sustained high levels of economic growth in most countries of the region and the generally rising world price levels of the area's principal export products. Prospects are bright for U.S. suppliers of a wide range of industrial goods needed for the anticipated further expansion of the region's industrial plant.

The traditional major markets in Latin America as well as many of the smaller countries offer a variety of sales opportunities for U.S. traders.

The Department of Commerce will continue to mount a variety of trade promotional events in the Latin American markets in the months ahead to assist U.S. businesses in taking advantage of these opportunities. The U.S. Trade Center in Mexico City has a full schedule of major exhibitions programmed. Several trade fairs in Brazil, Venezuela, Colombia, Peru and Chile will offer facilities for the promotion of U.S. products. Trade missions will be dispatched to several countries to further U.S. commercial interests and a number of other trade promotion activities are planned for the area.

Highlights of the outlook

The Latin American region, including the Caribbean, is comprised of over 20 countries, each having its own problems, growth potential and developmental goals. Highlights of the outlook in the countries are:

Brazil. U.S. exports to Brazil this year should reach $2.5 billion, up from $1.9 billion in 1973. This would approach the spectacular 58 percent growth rate registered in 1973. There may be some slippage in the U.S. market share of 28 percent, however, due to the tremendous increase in the value of Brazil's oil imports.

Although bothered by the stresses of rapid economic growth, petroleum price increases, and a world inflationary spiral, the Brazilian economy appears to be adjusting to these impediments and continues to present an ideal market for U.S. products and investment.

Mexico. Traditional dependence on imports to sustain its rapidly expanding industry, sharp increase in requirements for certain commodities in domestic short supply such as petroleum products, pulp, scrap iron, and grains, together with much higher prices for most imported goods, are the principal factors accounting for Mexico's record import levels in the past two or three years.

U.S. exporters are advised to follow developments in the Mexican market closely. Although imports are constantly expanding, import patterns change frequently as Mexican industry moves from production of consumer goods to intermediate and even some more advanced types of industrial items. When this occurs imports of similar items have usually been curbed.

Although Mexico had a trade deficit of $1.76 billion in 1973, income from tourism, exports and capital transactions enabled it to end up the year with an overall balance of payments surplus of $122 million. Mexico's gross foreign exchange reserves stood at $1.4 billion at the end of 1973.

Venezuela. A $10 billion inflow from petroleum exports and a GDP growing in excess of 9 percent per annum constitute the backdrop for a projected 35 percent increase in imports in 1974. U.S. exports should reach $1.3 billion and about a 45 percent share of the market in the current year.

Oil revenues are making possible Venezuela's efforts to further diversify its industry. Projects planned or under way need substantial imports of many types of capital goods.

Colombia. GNP growth should continue throughout 1974 at the 7.5 percent achieved in 1973. Inflation remains a problem. The government is stimulating imports to stem inflation and challenge domestic manufacturing efficiency. Measures recently taken in this regard include significant reductions in import restrictions. Sales opportunities exist for machinery and equipment needed in a variety of industries.

Other Andean Countries. Public sector investments will accelerate in 1974. Projects are in such diversified fields as petroleum exploration, development and refining, petrochemicals, copper and coal mining, metalworking, highway construction, electrification, and a variety of other areas. Foreign capital in the form of loans from international lending agencies and the commercial banking sectors of developed countries, including the United States, are participating in financing these projects.

Ecuador appears as a particularly promising market for developmental goods, as the benefits of the country's growing petroleum revenues take effect.

Argentina. Very favorable returns from exports, especially of grains, are expected in the months ahead. Sharply higher returns from exports of maufactures also are anticipated. Imports should be greater to maintain supplies for industrial, public utility, and agricultural operations and to sustain the inflow of capital goods needed for accelerated economic development.

Imports from the United States in 1974 are expected to continue the 1973 trend and show significant increases in value over the previous year's level but may not account for a higher portion of total Argentine annual imports than the 20 percent registered for 1972.

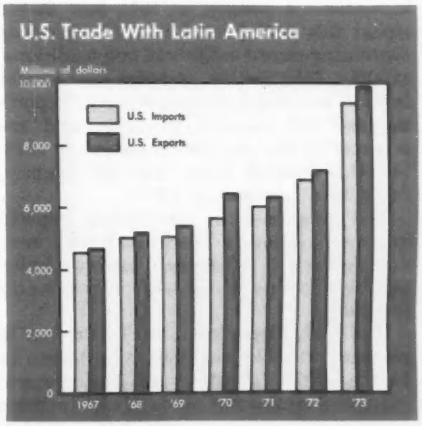
Political and economic uncertainties continue to exist in Argentina.

Central America-Panama. In 1973, Central America enjoyed an economic boom brought on by generally high world market prices for almost all of the basic commodities it produces and exports. World commodity prices should continue high in 1974 but increased energy costs will make serious inroads into Central America's overall economic growth.

Priority areas of government programs are, in order of importance, agriculture, tourism and transportation. As in 1973, agriculture will be promoted in its broadest sense, from farm and ranch production through market distribution to food processing.

Caribbean. Expected greater U. S. exports to the Caribbean countries in 1974 can be attributed to developmental loans from U.S. and international banks coupled with equipment needs of the area's growing economies.

The Dominican Republic, Jamaica and the Bahamas are the largest markets in the region. The Bahamas continues as one of the very few sizable consumer goods markets in the Latin American area.



ANCOM

Rising Income Boosts Demand For U.S. Goods

U.S. exports to the Andean Common Market (ANCOM) will total $3.1 billion in 1974, predicts Herbert A. Lindow of the Bureau of International Commerce. Demand for U.S. goods is strong, particularly since ANCOM generally enjoys rising income levels from its main export products.

Bolivia. The external economy has shown marked improvement recently, spurred by good receipts from tin, petroleum and gas exports. U.S. exports to Bolivia are expected to rise from $43 million in 1973 to about $60 million in 1974. The best sales potential appears to be in mining, metal refining, and agricultural and related activities.

The U.S. Embassy in La Paz will sponsor a catalog show at the Santa Cruz de la Sierra Fair in September.

Chile. U. S. exports to Chile are rising as trade relations between the two countries continue to improve. U.S. exports are estimated at $320 million for 1974. Both the public and private Chilean sectors are increasingly looking toward the United States for the machinery and equipment needed to reconstruct and develop the Chilean economy. Concurrently, the Chilean Government is liberalizing imports by eliminating the 10,000 percent prior import deposit and prohibitions on most imports and by reducing import duties.

Chile continues to experience balance of payments problems but there has been considerable improvement recently due to strong Chilean exports, the long-term rescheduling of some $750 million in international debts, and an increasing flow of credits and loans from private and international lending agencies.

The United States will participate officially with a pavilion in the Santiago International Trade Fair (FISA) Oct. 31—Nov.17.

Colombia. Constant price GNP increased 7.5 percent in 1973 and should repeat this performance in 1974, reflecting continuing record coffee and non-traditional exports. Inflationary pressure (23 percent in 1973) remains a serious problem. Imports increased 41 percent in 1973, and are expected to rise another 20 percent in 1974. The U.S. market share reversed slightly, rising to 41 percent in 1973.

The government is stimulating imports to stem inflation and increase local manufacturing efficiency; import duties and restrictions have been significantly reduced.

The U.S. Department of Commerce is planning to hold an exhibition in Bogota in March 1975 directed at the general industrial equipment needs of the country. A U.S. trade mission will promote agricultural and food processing equipment in February 1975.

Ecuador. Petroleum production and exports should provide Ecuador with about $1 billion in 1974. Import licenses granted rose from $329 million in 1972 to $532 million in 1973. During the first months of 1974, imports, at $238 million, were well ahead of last year's pace. U.S. exports are estimated at $295 million for 1974.

The Ecuadorean Government intends to use the bonanza from oil exports to finance a large number of development projects.

Peru. U.S. exports have been rising rapidly in recent months. U.S. exports to Peru for 1974 are estimated at $500-525 million.

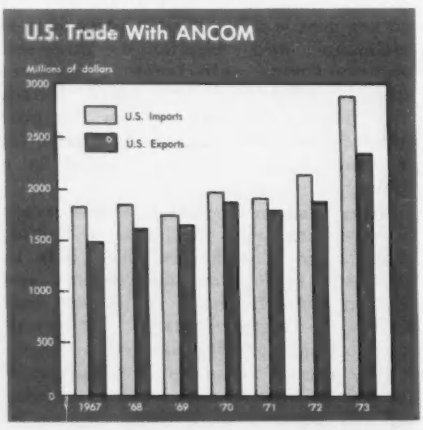
In May, the Peruvian Government took steps to dampen imports. Importers' exchange quotas are being reviewed and it is not clear whether importers will continue to import goods at the high rate of early 1974. Also, imports are subject to a letter of credit requirement with financing at 180 days from the date of shipment.

Basic economic development projects valued in excess of $3.4 billion are to be undertaken in the 1974-76 period.

The U.S. Department of Commerce and the U.S. Embassy in Lima will sponsor an official U.S. Pavilion in the World Mining Fair, TECNOMIN '74, to be held in Lima, Nov. 3-12.

Venezuela. A $10 billion inflow from petroleum exports and a GDP growing in excess of 9 percent per annum constitute the backdrop for a projected 35 percent increase in imports in 1974. U.S. exports should reach $1.3 billion, for about a 45 percent share of the market in 1974. Inflationary pressures will boost demand for imported goods and for government projects in designated key development sectors—agriculture, metals, petrochemicals, merchant marine and port development.

Scheduled U.S. promotional efforts feature a chemical processing equipment trade mission in November and a U.S. solo exhibition featuring agricultural and food processing equipment in May 1975.



Argentina

Record Foreign Trade Is Expected This Year

Argentina's exports and imports should both reach record high dollar values in 1974. Imports from and exports to the United States in 1974 may well be the highest in over two decades, George M. Pollard of the Bureau of International Commerce reports.

Very favorable returns from exports, especially of grains, are expected. Sharply higher returns from exports of manufactures also are anticipated. Imports should be greater to maintain supplies for industrial, public utility, and agricultural operations and to sustain the inflow of capital goods needed for accelerated economic development.

Argentina's 1973 economic growth rate in gross domestic product terms at 5.4 percent well exceeded the 3.6 percent for 1972. The Argentine Government has announced annual economic growth targets for 1974 and 1975 of 7 percent and 7.5 percent, respectively.

Limited profit prospects restrain favorable expectations in much of Argentina's private enterprise sector, particularly regarding the domestic market for goods subject to price controls.

Exports promoted

Producers of goods for export which the Argentine Government considers in "non-traditional export" categories may be more optimistic. The Argentine Government actively promotes such exports. These exports typically have been intermediate goods and finished consumer items but now also include relatively complicated machinery and automotive equipment. Positive incentives, such as export subsidies, tax rebates, and special domestic credit arrangements, are supplemented by some negative incentives. For example, an automobile manufacturer's domestic sales quota is dependent on his export performance. The Government also has facilitated exports by extending credit to foreign buyers, particularly national governments of neighboring countries and Cuba.

The Argentines are augmenting their foreign sales efforts through the use of trade missions and exhibitions abroad. In recent years, exports of manufactured goods have risen markedly. These developments suggest opportunities for U.S. suppliers who can furnish equipment Argentina needs to import in order to increase exports, particularly of manufactured goods.

Publicly owned enterprise dominates a great and growing part of Argentina's economy. Development programs emphasize expansion of publicly

administered operations, not only involving social services, transportation, electric power generation and distribution and other public utilities, but also banking, housing, and heavy industries such as fuel extraction, processing, and distribution plus production of steel and petrochemical products.

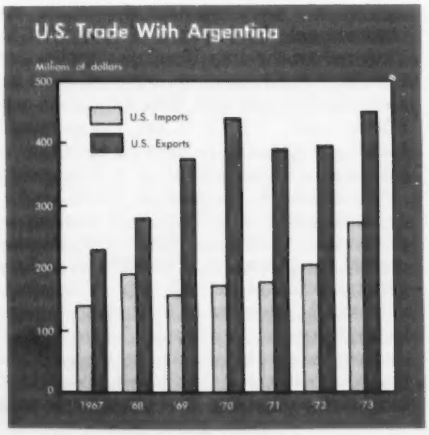
Imports from the United States in 1974 are expected to continue the 1973 trend and show significant increases in value over the previous year's level but may not account for a higher portion of total Argentine annual imports than the 20 percent registered for 1972.

Price development should not unduly restrict U.S. suppliers in exporting to Argentina. However, credit terms will need fine adjustment and customer servicing must be adequate if third country competition is to be bested. Increased movements from the United States to Argentina of industrial materials, intermediate products, and capital goods can be expected even though favorable large supply and credit arrangements with other countries, including the USSR, are reported by the Argentine Government.

In late 1973 legislation, Argentina's new Congress codified protectionist policies evident in previously existing laws and administrative practices. The ban on imports of luxuries and other "not indispensable" goods was extended into 1977. The general trade policy legislation adopted may not significantly affect foreign trade directly but does empower the national executive to regulate trade.

Imported items for which sales potential is most promising include items for improving education, health and environmental services, and for increasing Argentina's output of petroleum, natural gas, coal, electric power, and steel. Anticipated import demands include metal working, graphic arts, food processing, and leather and textile making equipment plus a variety of instruments and equipment for the chemical, petrochemical, and transportation industries.

Argentina's balance of payments and foreign exchange positions continue good.



Brazil

Economy, Import Market To Maintain High Growth

Although several signs of stress are appearing in the economy, Brazil continues to provide one of the most dynamic markets in the world for U.S. exports. U.S. exports to Brazil this year should reach $2.5 billion, up from $1.9 billion in 1973, according to Ted Johnson of the Bureau of International Commerce. This would approach the spectacular 58 percent growth rate registered in 1973. There may be some slippage in the U.S. market share of 28 percent, however, due to the tremendous increase in the value of Brazil's oil imports.

The total Brazilian import market is expected to grow dramatically in 1974. Imports are likely to jump a full 50 percent from the roughly $6 billion (f.o.b.) in 1973 to $9 billion in 1974. While two-thirds of the increase will be due to the rise in the value of crude petroleum imports, capital goods imports are also expected to climb.

The Geisel Administration which took office March 15 has had to come to grips with a markedly higher rate of domestic inflation and a growing balance-of-trade deficit. Although the President and the Finance Minister have stressed the essential continuity of their economic policies with that of the previous administration, several modifications have been necessary to counterbalance the effect on Brazil of the petroleum crisis. Changes include loosening the price control on some items, particularly food items and gasoline, limiting the rate of growth of the money supply, increasing interest rates, and tightening consumer credit. With these and other government measures the administration expects to be able to approximate the 10 percent level of real economic growth characteristic of Brazil since 1968.

Inflation is the major problem for the new government. During the first five months of 1974 the cost-of-living index for Rio de Janeiro rose 18.7 percent. The same period last year saw a 6 percent increase. The rapid rise is due to compensatory price increases allowed by the new government to eliminate distortions in the economy caused by the tight controls that were in effect under the previous government, the higher prices for petroleum and many non-petroleum imports, and the local scarcities of industrial raw materials. The government is confident that the measures already taken will limit inflation in 1974 to 25-30 percent.

The rapid rate of national development and the petroleum price picture has created an extremely unfavorable balance-of-trade situation in the first quarter of 1974. Although Brazil's exports rose 26 percent over the first quarter of 1973, to about $1.4 billion, they did not rise as rapidly as anticipated because of lower world prices for major commodities and because of the slow movement of agricultural products to points of shipment. Imports, however, rose to roughly $2.4 billion in the first quarter. Current projections are that the country will suffer a 1974 trade deficit of $3 billion.

The Administration feels that it can deal with this kind of trade imbalance, given anticipated capital inflow during the year, and probably maintain intact its level of foreign reserves of $6.8 billion. The new government is taking an active role to encourage foreign investment and loan capital inflow into the country, including positive references to the importance of foreign capital in national development and the announcement that the investment incentives program, influential in national industrial development, will be extended to the agricultural sector. In addition, the government announced formation of three financing agencies to channel private foreign and local capital into domestic capital goods and raw materials industries. These positive measures are expected to attract the needed capital inflow, about $3.7 billion, which will provide the necessary foreign exchange to compensate for the trade imbalance and other capital outflow.

As a further precaution the government recently announced the imposition of certain import restrictions on non-essential goods, affecting up to 10 percent of imports.

Although bothered by the stresses of rapid economic growth, the petroleum price increases, and a world inflationary spiral, the Brazilian economy appears to be adjusting and continues to present an ideal market for U.S. products and investment.

U.S. exporters of capital equipment will find the market for their products spelled out in the recently completed *Survey of U.S. Export Opportunities.* This study analyzes sector by sector the expansion plans of Brazil's more important industries. For further information on the survey, write: Bureau of International Commerce, Room 4039, U.S. Department of Commerce, Washington, D. C. 20230.

Caribbean

U.S. Exports To Area Grow At Increasing Pace

U.S. exports to the Caribbean area will probably exceed $1.5 billion in 1974, an increase of nearly 18 percent over 1973, according to Walter Haidar of the Bureau of International Commerce. The recent increase is attributable to rapidly rising prices of U.S. exports, 1973 loans from U.S. and international banks not yet drawn down amounting to over $300 million, increased pace of U.S. AID programs in several countries, capital and transport equipment needs of these growing economies, and expanding U.S. investments in that area.

CARICOM (Caribbean Community) superseded and adopted the provisions for inter-regional trade of CARIFTA (Caribbean Free Trade Association). The new members of CARICOM as of May1974 are Belize (formerly British Honduras), Dominica, Grenada, Montserrat, St. Lucia and St. Vincent. The main feature of CARICOM is a common external tariff (CXT). Guyana, Jamaica, and Trinidad and Tobago have phased most of the CXT rates into their tariffs; Barbados will do so in two annual stages or by 1976. The less developed countries have until 1981 to phase the CXT rates into their own common tarriff, except Montserrat, which has until 1985.

As economic integration activities continue apace, the results will be greater demand for U.S. processing materials, production machinery, transportation and communication equipment, as well as for products to satisfy the inevitable expansion in infrastructure projects such as electric power, water and sewage systems, and agricultural production.

Dominican Republic. This country will become the largest market for U.S. exports in the Caribbean in 1974. Projected sales for the year are estimated to reach $315 million. The Dominican Republic has received some $100 million in foreign loans mostly for dam construction, port improvement, expansion of electric power and increased water supply, road building, maritime communications, a shopping center and for education. These projects will generate considerable demand.

Jamaica. Jamaica continues to be a large Caribbean market for U.S. products. Sales are projected at about $280 million for 1974. Numerous foreign loan commitments and credits amounting to some $160 million will fuel increased imports. While the Government initiated a requirement that all imports must be licensed to check an unfavorable balance of payments trend, an increase in the bauxite mining tax estimated to bring in new revenues totaling some $230 million has resulted in some easing of this requirement. Infrastructure projects offering sales prospects include road construction and airport improvement. Extensive foreign credits have been obtained for sectoral development such as for agriculture and housing.

U.S. Trade With Caribbean
Millions of dollars

Country	Exports		Imports	
	1972	1973	1972	1973
Bahamas	144	208	247	286
Dominican Republic	183	229	232	307
Haiti	53	77	51	63
Jamaica	221	268	181	176
Netherlands Antilles	122	159	400	733
Trinidad & Tobago	121	133	251	409

Bahamas. The third largest Caribbean market should provide U.S. exporters with $250 million worth of sales in 1974, compared to $208 million in 1973. Major export opportunities continue to be equipment for an oil refinery, oil exploration and oil transport terminal provided crude oil supply will support the expansion, and for considerably expanded cement production facilities. The over 1.5 million tourists will generate a continued demand for consumer goods, better hotel facilities, restaurant equipment, and some sporting goods.

Netherland Antilles. These 6 islands represent a surprisingly large market. U.S. exports are projected at $175 million, up from $159 million in 1973. Significant export possibilities include capital goods for an expansion in the electronic industry, the purchase of a large crane and pipe handling equipment for use in the ship building industry and for petroleum refinery expansion and for numerous other infrastructure improvements.

Trinidad and Tobago. U.S. exports to these two islands should reach $155 million in 1974, compared with $133 million in 1973. Best sales prospects are for capital equipment for projected fertilizer plants, methane plant, new refinery, petrochemical complex, aluminum smelter, steel plant and shipbuilding industry.

Haiti. Haiti is becoming a sizable market for U.S. exports. Projected sales are expected to reach $85 million in 1974 compared with $77 million in 1973. International loans, totaling some $27 million, will be expended in road construction, port expansion, and fishing.

Other markets. U.S. exports to the other Caribbean areas may reach $280 million in 1974. Estimates by country in millions are as follows: Bermuda, $58; Surinam, $50; Guyana, $50; Barbados, $39; French West Indies, $35; Leeward and Windward Islands, $30; Belize, $15; and French Guiana, $3.

Central America

Energy Costs May Slow Area's Economic Boom

In 1973, Central America enjoyed an economic boom brought on by generally high world market prices for almost all of the basic commodities it produces and exports. World commodity prices should continue high in 1974 but increased energy costs will make serious inroads into Central America's overall economic growth. Using conservative figures, Robert H. Stern of the Bureau of International Commerce estimates that the energy import bill will increase by approximately $150 million in 1974.

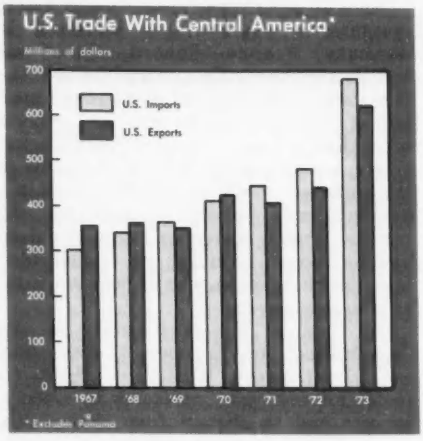
The main problem is oil cost, as Venezuela has guaranteed supply at market prices. Despite the lack of hard information as to the effects of the increased costs throughout the industrial sector, at least in the short-run spiraling prices will act as a brake on the individual economies.

Ironically, at a time when world prices dictate increased plantings and demand greater yields in virtually all agricultural commodities, there exists the combination of high price and short supply of both fertilizers and pesticides. If total world petroleum supply remains at current levels, a chronic shortage of fertilizers and pesticides can be expected. This situation should create great opportunities for equipment that could allow more intensive irrigation, cultivation, harvesting, and storage of basic agricultural products. Likewise, demand for non-petrochemical-based fertilizers and pesticides should intensify.

Regional developments

The CACM is working below expectations. Honduras, still not trading with El Salvador, has signed preferential trade agreements with Nicaragua, Costa Rica, Guatemala and Panama. The agreements were negotiated outside the institutional framework of the CACM. They reduce the duty Honduras applies to a specific list of items now imported from the other CACM countries. Yet, despite its non-observance of CACM agreements, Honduras appears to have no intention of renouncing its membership in that group.

Meanwhile, in the absence of the kind of expanding industrial base that requires an ever wider variety of more sophisticated capital equipment, it is difficult to make a generalization about the type of products that will be growing in importance among Central American imports. There will of course be continued strong demand for heavy agricultural equipment, pesticides, irrigation equipment, and other items used



in export agriculture. Likewise, one can expect a continuing need for more modern equipment for those agricultural processing industries engaged in exporting.

Outside of these rather traditional imports, the greatest requirement will probably be in substitutes for petroleum and petroleum products. One example which quickly comes to mind is expansion of cement capacity to replace now scarce and high-cost asphalt and bitumen for road construction. Additionally, glass and paper would appear to be substitutes for various grades of plastic. Other specific trade opportunities exist in the hospital medical and telecommunications areas. Individual country market studies for these are now available from the Bureau of International Commerce, Room 4039, U.S. Department of Commerce, Washington, D.C. 20230.

Panama experienced another good year in 1973. Banking, commerce, the Colon Free Zone, tourism, and construction continue to be the leading sectors. Having a lesser portion of its economy dependent on agriculture, Panama is not so hard hit as its CACM neighbors by the energy crisis. However, given the commitment of the Torrijos government to land reform and overall rural development, it can be anticipated that the same problems and opportunities will exist as in Central America. Priority areas of the government program are, in order of importance, agriculture, tourism, and transportation. As in 1973, agriculture will be promoted in its broadest sense, from farm and ranch production through market distribution to food processing.

In all six countries opportunities exist for development of natural resources (timber, minerals, petroleum). Governmental attitudes towards large foreign equity investment in such areas vary from country to country but a basic trend towards joint venture and/or service contract arrangement is becoming apparent. In most instances, the local partner would probably be a government entity. Should several pending proposals go forward, a market for the requisite heavy machinery will develop.

Mexico

Import Rate Is Soaring, U.S. Getting Bigger Share

Imports into Mexico totaled $4.1 billion in 1973, a record high. This represented an increase of 41 percent over the 1972 level. Preliminary data for 1974 point to another considerable increase in imports this year, adds Paul S. Flores of the Bureau of International Commerce, at nearly the same high rate registered in 1973.

Traditional dependence on imports to sustain its rapidly expanding industry and sharp increases in requirements of certain commodities in domestic short supply such as petroleum products, pulp, scrap iron, and grains, together with much higher prices for most imported goods, are the principal factors accounting for Mexico's record import levels in the past two or three years.

The Mexican economy accelerated in 1973, achieving a gross domestic product growth of 7.4 percent in real terms to reach a total GDP of $49.5 billion at current prices.

The economy is expected to grow at a slightly lower rate in 1974, in the 6-6.5 percent range, principally because of government monetary restraints aimed at curbing the current sharp inflationary spiral.

Despite booming economic expansion, business confidence in the private sector remains uncertain, as inflation continues unabated, labor demands for another round of wage increases mount, material shortages persist and acts of violence and kidnappings take place in various parts of the country.

The failure of the government to issue detailed regulations interpreting the new investment law which became effective in May 1973 has apparently deterred some foreign investment projects, at least for the present time. Indications are that new foreign investment applications will be treated on a case-by-case basis for some time and that formal regulations similar to those published by the National Registry of Foreign Investors will not be published for a year or two, or perhaps until the National Commission of Foreign Investments has handled a sufficient number of cases under the general guidelines of the investment law to enable it to draft the regulations with the benefit of a greater amount of actual working experience.

Mexico's imports in 1973 totaled $4.1 billion as compared to $2.7 billion in 1972. The U.S. share of the market rose from 60.5 percent in 1972 to 62.8 percent in 1973. The outlook is for another slight increase in the U.S. share in 1974, due principally to a small general price advantage because of recent dollar devaluations and the fact that some items needed by Mexico such as iron

scrap and grains are not readily available from other countries.

The bulk of Mexican imports will continue to consist of capital goods for industry and economic infrastructure, which account for about 40 percent of the total; producers' goods such as chemicals, petroleum products and other industrial raw materials, which account for about 45 percent; consumer goods, mostly bulk imports of grains, dry milk, pharmaceuticals, etc., which represent another 10 percent; and the remaining 5 percent consisting of items not specifically classified.

U.S. exporters are advised to follow developments in the Mexican market closely. Although imports are constantly expanding, import patterns change frequently as Mexican industry moves from production of consumer goods to intermediate and even some more advanced types of industrial items; when this occurs imports of similar items are usually cut off.

Although Mexico had a trade deficit of $1.76 billion in 1973, income from tourism and capital transactions enabled that country to end up the year with an overall balance of payments surplus of $122 million. Mexico's gross foreign exchange reserves stood at $1.4 billion at the end of 1973.

Although there has been some speculation about a devaluation of the peso, there is really no reason to anticipate such a move at this time. Mexico will continue to be dependent on imports of capital equipment and certain raw materials and supplies for its development. A devaluation would simply increase the prices it would have to pay, and thus would only add to the already high inflation rate. A change in the parity position of the peso would not really help Mexico at this time.

The U.S. Trade Center in Mexico City, in its third year of operation, continues to assist U.S. businessmen in promoting sales through major exhibits and other smaller shows and seminars. Major exhibitions scheduled for the remainder of this year are printing and graphic arts, Aug. 5-9, and machine tools, Oct. 21-25.

W. Europe Has Problems, But Market Is Promising

U.S. Sales To Area Seen Exceeding Last Year's Level

All of the economies of Western Europe are suffering from serious inflation and many of them are in balance-of-payments difficulty. Nevertheless, provided there is no general resort to protectionist policies, the performance of U.S. exports so far this year almost guarantees that last year's record level will be exceeded, according to J. Robert Wilson of the Bureau of International Commerce. However, the gain will probably be less than the 40 percent achieved in 1973 or the 42 percent increase in the first five months of 1974 over the same period in 1973.

Last year saw the end of the boom in Western Europe. Most of the large countries experienced very rapid growth in the first half of the year with subsequent deceleration, especially in Germany and the United Kingdom. Italy was the main exception; the strong expansion initiated late in 1972 was halted by industrial strife in the early months of 1973 but resumed thereafter. Real GNP growth in 1973 in Western Europe approximated 5.5 percent, the best showing since 1969. The nominal growth rate, i.e. including price increases, was 14 percent. Foreign trade was extremely buoyant.

Most economic growth forecasts that were made at the beginning of 1974 were imbued with energy crisis pessimism; some actually predicted a recession in 1974. During February the governments lifted measures to conserve fuel, such as speed limits and bans on Sunday driving. The oil problem became one of price rather than security of supply and its repercussions on overall production and consumption were less worrisome. Now observers tend to be more optimistic. For example, the Commission of the European Communities predicts growth of 2.5 percent. Most forecasts, however, emphasize the precarious nature of the prospects.

A slower rate of economic growth is expected in most countries. The main exceptions are Norway, and Sweden which expect growth of 4.5 percent—well above the recent Swedish average. The United Kingdom will probably have little or no growth, partly as a result of the coal miners strike, the three-day week, and power cuts during most of the first quarter. The European automotive sector is especially weak. Demand for new cars is down and production schedules have been cut back. Also in general decline is the construction industry. Although both these sectors are heavy users of steel, the Commission of the European Communities has forecast an increase in 1974, albeit a modest one, in both production and consumption of steel.

Except for Germany and the Benelux countries, the Western European countries are now suffering from "double-digit" price inflation. Their governments are well aware of the dangers of this situation and most of them regard inflation as their number one economic problem. Generally, wages have kept pace with or exceeded the rise in consumer prices. Little relief from this price-wage spiral is in sight.

Governments have been struggling with inflation for some time. The European Economic Community recognized the problem of inflation and resolved to take concerted measures to combat it in October 1972. Most countries raised their official discount rates several times in 1973. These and other measures were ineffectual, however, especially when the surge in oil prices and world commodity prices intensified the problem. The current slowdown in economic activity, provided it does not result in excessive unemployment, should improve the climate for anti-inflation policies. On the other hand, inflationary expectations on the part of both consumers and businessmen still exist.

Payments imbalances

The oil price explosion not only intensified the inflation problem; it has had a severe impact on the European import bill. The serious deterioration in the current account balances of Italy, the United Kingdom, France, Denmark and Spain is due largely to their heavy dependence on imported oil. Even though Germany should again register a substantial surplus in 1974 and the Benelux countries will be near equilibrium, the Commission of the European Communities expects a Community-wide balance-of-payments deficit of some $22 billion.

Several countries have taken stern measures to improve their situation. In January France floated the franc independently. In early May the Government of Italy put into effect a prior import deposit requirement on imports other than raw materials and certain capital goods, whereby 50 percent of the value of the imported goods must be deposited in a non-interest bearing account for six months. Shortly thereafter Denmark raised various taxes, including its value-added taxes which apply to sales of both domestic and foreign goods.

On May 30 the 24 members of the Organization for Economic Cooperation and Development (OECD) pledged to avoid, for one year, measures to restrict imports and to abstain from destructive competition in official support of export credit. In addition to this "standstill," they agreed to cooperate in the financing of international payments deficits.

In June the new French Government announced an austerity program which introduced increases in corporation and personal income taxes and measures to limit oil consumption. One of its aims is to bring the balance of payments back to equilibrium by the end of 1975; current projections are for a $5-6 billion deficit in the payments balance in 1974. No import restrictions were included in the French program.

In early July the Italian Government also introduced a strong austerity program to reduce internal demand, correct its serious balance of payments disequilibrium and provide new impetus to fixed investment. Included in the program are a wide range of increases in direct and indirect taxes and provisions to improve tax collections. Steps are also being taken to increase public utility and transportation charges, including a 15-16 percent price increase for gasoline.

Many of the European governments look to increased exports as a principal means of ameliorating their pressing economic problems. It is hoped that by depressing domestic demand, foreign markets will be cultivated more intensively. Such efforts can succeed only if the major markets, especially Germany, are able and willing to absorb substantial incremental imports. In 1973 the German market took 23 percent of Italy's exports and 19 percent of France's. Although the German economy is expected to grow only 2.5 percent in 1974, it is on the upswing, stimulated by a less restrictive fiscal policy.

The enhanced competitiveness of American exports resulting from the currency realignments continues to apply, with the exception of trade with the United Kingdom and Italy. On the average, Western European importers of American manufactured goods pay about 15 percent less for their dollars than before the Smithsonian agreement of December 1971. The impact of the dollar devaluations on foreign trade is gradual and the full effect of

the 1973 devaluation on our exports has not yet been felt. Many American products, notably certain consumer goods, that were priced out of the European market a couple years ago are now competitive.

European efforts to conserve energy and to develop existing or new sources of energy mean profitable opportunities for American businessmen. The North Sea has enormous proven reserves of oil which the British and Norwegians are endeavoring to exploit as quickly as possible. This activity has created substantial demand for equipment related to the exploration, production, and transmission of oil and gas. Nuclear power is being promoted, particularly in France. In the next 15 years it is expected that the number of nuclear power plants in the EEC will increase from 42 to 170. Both North Sea oil and nuclear power are relatively long term prospects and in the meantime the market for energy conservation equipment will be strong.

European integration

For several months such terms as uncertainty, indecision and crisis have been used to characterize the EEC. The disarray became apparent in the wake of the energy crisis and was exacerbated by a series of changes in governments, especially the British election which brought to power a Labor Party pledged to renegotiate the terms of British entry into the EEC. Discussions are expected to center on three issues: the British contribution to the Community budget, the EEC common agricultural policy and EEC trade and development assistance policies vis-a-vis developing countries. Negotiations on this delicate subject have barely begun and it is too early to predict their outcome, not to mention the acceptability of the results to the British public. Presumably this uncertainty will continue into next spring. Under these circumstances major Community initiatives are unlikely, although the new French and German leaders desire to reinvigorate the Community. Nevertheless, previously agreed actions related to EEC enlargement will be implemented.

American exporters of industrial goods are facing increasing competition due to European economic integration. On Jan. 1, 1975, internal tariffs will, in general, be reduced another 20 percent by 16 countries. The three new members of the EEC—the United Kingdom, Ireland, and Denmark—and the seven EFTA countries—Sweden, Norway, Finland, Switzerland, Austria, Portugal and Iceland—will face a common external tariff of the original Six that is 60 percent lower, while the tariffs of these 10 countries will also be 60 percent lower on imports from the Six. In addition, the three new EEC members will align their external tariffs with the EEC's common external tariff by 60 percent of the difference. In most cases this will mean a modest reduction in the British tariff.

Germany

U.S. Market Share Off, But Prospects Favorable

U.S. exports (c.i.f.) to Germany of $1.8 billion through April this year rose 11.2 percent over the comparable period last year, according to V. Stanoyevitch of the Bureau of International Commerce. This suggests a distinct slowdown, following a 37.4 percent rise for all of 1973. Moreover, it is well below the overall rate of German import growth this year of 18 percent, reflecting a weakening of U.S. percentage share of the German import market.

Nevertheless, the prospects for reversing this decline appear favorable, given the composition of U.S. exports, the already less volatile world price developments in raw materials, the effect of the 1973 10 percent devaluation of the dollar and the anticipated resumption of real growth of the German economy this year, albeit at less than half of the 5-1/2 percent real growth rate in 1973. Last year, for example, U.S. exports of foodstuffs to Germany rose 79.3 percent, cotton 130.1 percent, nonferrous metals 64.9 percent, reflecting, of course, price explosions in those categories. But there was also actual volume growth in such categories as electrical equipment (40 percent), optical and precision instruments (61.5 percent) and aircraft (27 percent).

The extreme pessimism at the height of the energy crunch in 1973, has given way to general optimism, not marred by a somewhat accelerated rate of inflation and, by German standards, a worrisome unemployment rate which, in May, stood at 2.1 percent of all wage earners, or 457,000 jobless.

The most buoyant sector of the economy is export industries, except for car manufacturers whose sales have been depressed by rising production and fuel costs. German exports of $29.6 billion and imports of $22.4 billion through April of this year, 32 percent and 18 percent above the comparable four-month period last year, respectively, suggest a trade surplus for the year of $20 billion, compared to $12.7 billion in 1973. The fact that German export prices have risen much more slowly than the prices of German imports, an ideal export product mix, and prompt deliveries all help to account for Germany's extraordinary trade performance.

Nevertheless, the government appears to have made two policy mistakes. In December, under the prevailing uncertainties about the impact of mounting energy costs upon production and employment, the government hastily dismantled virtually the entire arsenal of anti-inflationary measures introduced less than a year earlier. In February, the government gave in to wage demands from

government employees well in excess of its own guidelines (less than 10 percent), virtually guaranteeing across the board wage hikes approaching 15 percent this year. As a result, the rise in the cost of living this year is expected to approach 8-9 percent, compared with 6.9 percent for 1973.

The U.S. share of the German import market last year remained unchanged (8.4 percent), and we accumulated another record bilateral trade deficit with Germany of $1.1 billion. With German exports to the United States of $2.4 billion and U.S. exports to Germany of $1.8 billion in the four-month period January-April 1974, up 17.3 percent and 11.2 percent, respectively, our deficit was already $603.2 million.

Paradoxically, energy developments and the impressive turnaround in the overall U.S. trade balance in the second half of 1973, which served to bolster confidence in the U.S. economy and the dollar, at the same time weakened its competitive position deriving from the 1973 devaluation and subsequent parity changes. With relatively stable dollar-mark rates, the principal hope for reducing the United States' huge bilateral trade deficits with Germany lies in rising production costs in Germany, expectation of accelerated real GNP growth and the expectation of a more rapid rate of growth of German imports over exports.

Anticipated incremental increases in U.S. exports to Germany are likely in the traditional categories: foodstuffs and raw materials and industrial and capital equipment. Prospects are particularly promising for electronic desk calculators and electrostatic copiers, small digital computers, central and peripheral processing, storage and retrieval equipment, and fluid power and transmission equipment.

Commerce's FY 1975 trade promotion program for Germany includes seven Trade Center shows, including one off-site exhibit (Automechanika '74) in Frankfurt, one international trade fair (Electronica '74) in Munich, two JEEP's (Joint Export Expansion Promotion) at the Frankfurt Trade Center and one trade mission on computer software.

France

New Economic Program Lessens Import Growth

French imports from the United States should continue to increase through the end of this year and into early 1975, although not at the spectacular 38 percent rate achieved in 1973, predicts Richard P. Humbert of the Bureau of International Commerce. A growth rate of 15-20 percent in value seems more than likely in view of the current situation and the government's new economic program.

As in the other industrialized countries, inflation remains the dominant problem. Wage increases in the first quarter advanced at an annual rate of 20 percent. The money supply, which increased 15 percent last year, has continued to grow rapidly in the current year despite limitations on credit.

The feared effects of the oil crisis on the economy have not materialized and French industry in many sectors is still operating at full capacity. A strong demand push, therefore, continues as a major factor feeding inflation, which is now running at a rate of 16-20 percent this year. The GNP is now forecast to rise by nearly 5 percent, a sharp downturn from the 1973 performance when real GNP rose 6.2 percent to an estimated $210 billion (current prices). Business confidence appears moderate to good, considering the overall situation.

Trade deficit rising

While the internal economy was spared a recession, France's trade balance has been affected considerably more by the oil crisis than was originally assumed. While exports have risen more rapidly than imports by volume, higher prices of petroleum and other primary products have so worsened the terms of trade that the trade balance has been negative in four out of the first five months and reached $600 million in May.

The annual trade deficit is forecast at $5-6 billion and France has had to borrow the equivalent of $3.5 billion.

Thus, on June 12, President Giscard d'Estaing's government adopted a package of economic and financial measures—primarily affecting taxes and credit—designed to moderate the inflation and reduce the payments deficit. Surcharges are to be levied on both corporate profits and personal income taxes; depreciation allowances are to be reduced on new investments for one year, beginning July 1, and a new tax on "profits deriving from inflation" is to be elaborated. Limits on the growth of credit will be strictly enforced and savings will be encouraged through higher interest rates. On June 20 the Bank of France raised its discount rate from 11 to 13 percent and banks have raised their lending rate, setting the nearest equivalent to the prime rate at 14.5 percent.

To help cut petroleum imports, prices on all forms of energy will be allowed to rise 5 percent. Simultaneously, the government has proposed social welfare reforms which are expected to add some $500 million to the purchasing power of lower income groups.

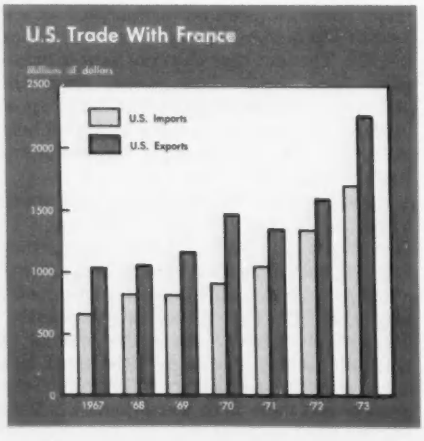
While these measures are designed to reduce demand, including that of imports, the government has confirmed its pledge to eschew protectionist measures in its efforts to improve the trade balance. As a result, a dampening effect on sales of U.S. goods, particularly some types of capital equipment, can be anticipated. However, since export-oriented industries are being encouraged to expand and improve productivity to boost foreign sales, a fall off in sales of American products is not likely to be universal.

France's ambitious plan for new nuclear plants and the fight against pollution should offer excellent opportunities to U.S. exporters.

Other fields having strong sales potential include commercial and industrial security and biomedical equipment, electronic components, and consumer goods such as women's and children's apparel and do-it-yourself tools and supplies.

Commerce will stage promotions at the U.S. Trade Center in Paris for industrial-commercial security equipment in September, medical diagnostic equipment in October, and building materials and equipment and minicomputers in November. In addition, a U.S. Pavilion is planned at the Women's Ready-to-Wear Fair, October 20-25. For information on any of these exhibits, contact the nearest United States Department of Commerce District Office.

As in previous years, Commerce will mount a major exhibition at the 1975 Paris Air Show, scheduled at Le Bourget Airport, May 30-June 8, 1975. Firms interested in participating should contact Mike Hanpeter, BIC/OIM, Rm 4016-A, U.S. Department of Commerce, Washington, D.C. 20230.



Italy

Market Excellent For U.S. Goods, Despite Problems

U.S. exports to Italy appear to be headed for another record breaking year with 4-month statistics registering near the $1 billion mark, in comparison to $650 million during the same period of 1973, according to Ann Corro of the Bureau of International Commerce. The recent imposition by Italy of an import deposit regulation may moderate this rate of growth but data is not yet available to accurately assess its impact on U.S. exports.

Italy experienced an upswing in economic growth in 1973, confirming earlier indications that the Italian economy has recovered from the 1971-72 recession. The gross national product increased by 5.9 percent (in real terms) to $138 billion, representing the highest rate of growth in Italy in the past five years.

U.S. exports to Italy, reflecting this economic recovery in 1973, rose for the first time in history over the $2 billion mark, to $2.2 billion, from $1.6 billion in 1972. This growth of 44.3 percent (compared with 4 percent in 1972) was slightly better than the overall rise of 44 percent in total Italian imports and halted, for the first time in five years, the gradual erosion of the U.S. market share. It remained at the 1972 level of 8.3 percent.

Initiates economic plan

The economic outlook for 1974 is clouded by the uncertain effects of the energy crisis, a high rate of inflation currently running at 20 percent, and a large and persistent balance-of-payments deficit. Real growth in GNP is expected to decline this year to about 4 percent. The Government of Italy, in an effort to solve these problems, has proposed adoption of a comprehensive Economic Stabilization Program which includes tighter credit and fiscal policies designed to control internal demand and yet continue to encourage investment in both productive and social services sectors. According to the terms of this program, direct and indirect tax increases will produce some $4.6 billion in additional government revenue. Global credit for the period beginning March 1974 through March 1975 will be limited to a $34.4 billion ceiling with credit relaxation, on a selective basis, extended to small and medium businesses, those located in the South, and ordinary commercial credit.

Concern for Italy's ability to finance its balance-of-payments deficit, increasing at a $1 billion figure per month during the first 4 months of 1974, was recently discussed in International Monetary Fund proceedings. It was decided to allow gold reserves to be used as collateral for loans at a value close to gold's market price rather than the

official rate of $42 an ounce. Italy received this news with renewed confidence in its ability to finance an expected large balance-of-payments deficit. This decision recognizes the crucial role Italy plays in the EEC and the world monetary system.

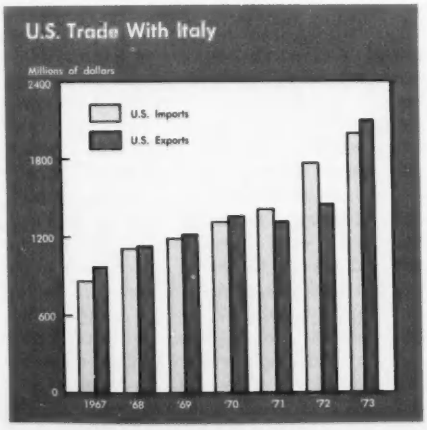
Import deposit regulation

As previously mentioned, effective May 7, the Italian Government imposed a temporary import deposit regulation. On designated items, importers are required to deposit an amount equal to 50 percent of the c.i.f. value of imported goods at the time of customs clearance in a non-interest bearing account held for 180 days by the Bank of Italy. (See *Commerce Today*, May 27, for details). Preliminary indications based on Italian trade statistics cite a 25 percent drop in expected imports for the month of May from all sources.

Despite these immediate restrictive measures, the Italian Government remains committed to longer-term policies of encouraging industrial development and will continue to give high priority to fostering economic growth, greater industrial investment and job creation. In addition, the enactment of long-awaited social reforms in education, housing, and health services and for major investments in transportation and nuclear power offer excellent opportunities for U.S. business.

Specific product areas offering good sales potential for U.S. firms include: computers and related equipment, avionics and airport support equipment, industrial assembly equipment, production and test equipment for the electronics industry, printing and graphic arts equipment, chemical industry processing equipment, advanced machine tools and accessories, advanced electronic components, advanced metal finishing equipment and specialty metals, industrial and commercial security equipment, environmental control equipment and instrumentation and industrial control and measuring instrumentation. Equipment related to the efficient utilization of energy supplies will also find a ready market.

The U.S. Trade Center in Milan is the focal point for Commerce's export promotion program in Italy.



United Kingdom

Economic Growth Slows, But Import Needs Hold

Little or no economic growth is expected in the United Kingdom in 1974, as increasing unemployment, a large deficit in the balance of payments, and an inflation rate of more than 15 percent are likely to describe the U.K. economy in the coming months, according to Paul A. Norloff of the Bureau of International Commerce. Facing these prospects is a new Labor Government, without Parliamentary control, which was elected in March. Many U.S. products, however, particularly those related to the energy industries, will continue to find a ready market in the United Kingdom.

Gross national product in 1973 rose by 6 percent in real terms to reach 62.9 million pounds (one pound equals about $2.45) largely on the basis of high consumer expenditures and new investment in plant and equipment. Inflation in 1973 ran at a relatively modest 9 percent, but rapidly rising commodity prices during the year, coupled with growing labor and materials shortages, began to slow the economy by the last quarter. Growth was expected to continue, however, until the oil price increases in October and December and the 13-week industrial slowdown brought on by the coal miners' industrial action combined to leave a prospect of payments deficits, galloping inflation and shaken business confidence.

Many factors combined to feed inflationary pressures during 1973: retail prices rose by more than 9 percent, food prices were up 20 percent, imported items for direct consumption rose 18 percent, while domestically produced items for direct consumption increased by 17 percent—and all this took place while wage and price controls were in effect.

Excess demand created by the high rate of economic activity during 1973 as well as the 14 percent growth in hourly wages also contributed to the upward pressure on prices. Monetary policy also added to inflationary pressures as credit expanded rapidly and the total money supply rose by 25 percent. Interest rates eventually were raised (the prime rate is now over 13 percent) and direct action was taken to restrict the growth of credit.

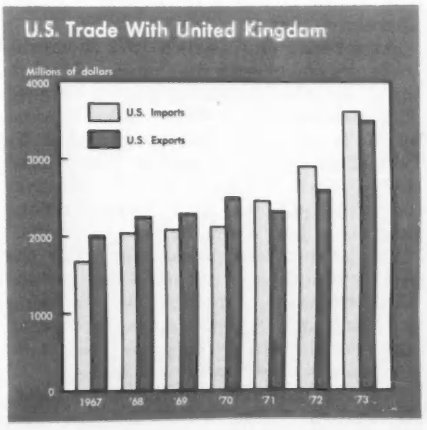
The large increases in oil prices in October and December of 1973, combined with escalating wage claims, have forced prices in 1974 to continue their uptrend. The settlement of the coal miners' strike alone has produced substantial increases in the costs of electricity, coal and steel. Although the present Labor Government hopes new wage demands will be moderated in recognition of certain specific programs introduced especially for that purpose, it remains to be seen if the unions will be able to restrain new wage increase demands in the face of the present high rate of inflation.

Although U.K. imports from the United States in 1973 increased by more than 37 percent, the U.S. share of total U.K. imports in that year dropped to 10.2 percent from a 10.5 percent level in 1972. As in the past, the principal categories of goods imported were machinery and tools, transport equipment, chemicals, manufactured goods, food and beverages and industrial raw materials.

The oil price increases (the United Kingdom presently is totally dependent on imports for its supply of oil) have presented the United Kingdom with an additional balance-of-payments burden of over two billion pounds. With an anticipated trade deficit, excluding oil, of about 2 to 4 billion pounds, the payments outlook for 1974 is gloomy indeed, and far in excess of the deficit of 2,375 million pounds recorded in 1973.

The most promising categories of goods for sales in the United Kingdom remain machinery and tools (particularly petroleum equipment), food and drink processing machinery, mechanical handling equipment, metalworking and machine tools, plastics machinery, printing and graphic arts equipment, electronic components, mini-calculators, small monochrome television sets, audio sound equipment, diesel powered industrial and standby generators and consumer goods (especially do-it-yourself equipment).

U.S. promotional efforts in the United Kingdom during 1974 include the International Air Show at Farnborough in September, petroleum/gas exploration and production equipment at the Offshore International Show in London in October, and data communications equipment at the opening of the new U.S. Trade Center in London in October. The new Trade Center will then feature analytical instruments systems for research in November and high performance production materials in December.



Austria

Stable Economic Gains Seen Despite Inflation

Austria's GNP growth, now around 4.5 percent, down from 6 percent in 1973, is expected to climb back to around 5.5 percent this year, as strong foreign and domestic demand are once again pushing production up. According to David K. Katz of the Bureau of International Commerce, demand for machinery and high-technology items is expected to be particularly high as industry continues to modernize and expand. (The nationalized industries alone are expected to invest $2 billion over the next four years for such purposes.)

The recent slackening in Austria's economic growth can be largely attributed to its heavy dependence on the economies of its major trading partners, the energy shortage and the sharply rising cost of oil. The latter has increased the inflation rate to almost 10 percent, and has resulted in the first balance-of-payments deficit since 1966. Nonetheless, largely due to its considerable hydroelectric power and to its own production of oil and natural gas, the energy shortage has adversely affected Austria far less than it has its neighbors, and the present negative balance of payments situation is not considered critical.

Inflation is currently Austria's most important problem, and authorities continue to pursue a restrictive monetary course. This has included a 3 percent revaluation of the schilling in May, which comes after two 1973 revaluations totaling 7.05 percent.

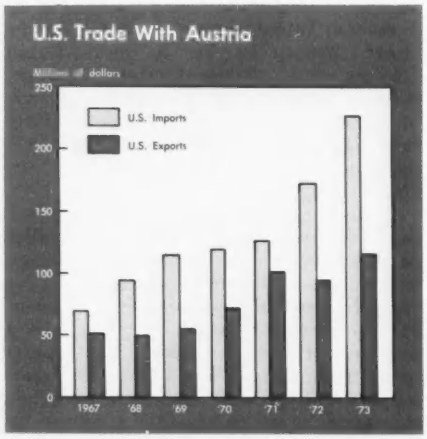
The U.S. market share remains at a disproportionately low 3.1 percent, reflecting the continuing neglect of the Austrian market by U.S. business. In 1973, 42 percent of Austria's total imports of about $6 billion came from West Germany, and there are signs that Austria is looking to reduce its heavy dependence on West Germany by diversifying sources of supply. The United States is considered a logical alternative source.

As a result of Austria's 1972 industrial trade agreement with the Common Market, tariffs on most industrial products traded with members have already been reduced by 40 percent, and will be abolished by 1977. This agreement would have placed the United States at a distinct disadvantage except that the revaluations have more than offset the reduced tariffs.

The product categories which offer the best prospects for U.S. exporters include EDP equipment, advanced metalworking and finishing equipment, anti-pollution equipment, business machines, electronic components, and health care items.

Austria welcomes foreign investment, particularly that which creates new employment or brings in new technology. The principal attractions to investors are internal stability, the traditional tranquil relationship between business and labor, and Austria's proximity to Eastern Europe.

U.S. Department of Commerce-sponsored events scheduled for the Austrian market over the next year include one technical sales seminar and two shows at the U.S. East-West Trade Center in Vienna, one in-store promotion in Graz, and participation in the second PROJEKT 2000, an environmental protection equipment trade fair to be held this October in Graz.



Belgium

Prospects For U.S. Sales Bright As Growth Slows

The Belgian economy in 1974 is expected to grow about 2.5 to 3 percent in terms of real GNP. Although this would be off the 6 percent mark achieved in 1973, Kenneth L. Fernandez of the Bureau of International Commerce notes that it would be considerably better than the zero growth rate government planners were projecting earlier this year when the first effects of the energy crisis were beginning to be felt.

Total imports and imports from the United States increased 25 percent in 1973. First quarter data indicate that demand has recovered strongly and the increase in imports for the full year 1974 should approach that of a year ago.

The chemical, iron and steel, construction and finished textile industries are expected to be seriously affected by higher petroleum costs. One optimistic note was the recovery of new car sales in February—up slightly above February of the previous year, following sharp declines in November, December, and January averaging 15.7 percent below the comparable months of a year ago.

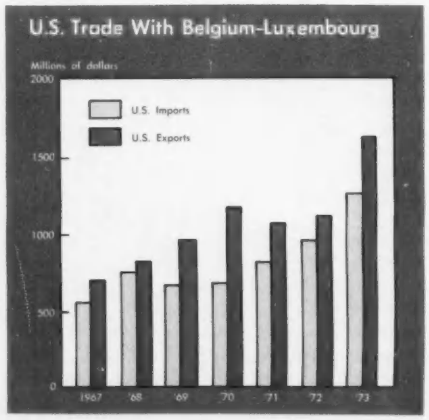
The Belgian Government faces the challenge of controlling inflation while minimizing unemployment, which rose to 4.1 percent in early 1974. Employment cutbacks following the energy crisis were minimal, occurring principally in the automotive, textile and clothing industries and restaurant sectors.

The Belgian Government instituted a series of anti-inflationary measures on June 7, based chiefly on budgetary restraint and monetary measures. Aside from appeals to industry to exercise price restraints, almost no reliance has been placed on price controls or tax measures.

The Belgian rate of inflation accelerated from 10 percent on an annual basis in the fourth quarter of 1973 to 15.7 percent in the first quarter of 1974. This, coupled with increasing wage production costs which were up 14.8 percent in 1973 and were expected to rise 14.6 percent in 1974, has preserved the improved competitive position achieved by U.S. goods in the last two years, despite recent strengthening of the dollar.

Although the steep increase in the oil price is the primary cause of accelerating inflation, it is apparent that this trend is being encouraged by rising demand. Government analysts estimate that the Belgian balance-of-payments surplus, which reached $1.1 billion in 1973, will be eliminated or diminish to a slight surplus in 1974. A positive trade balance accounted for about $451 million of the 1973 surplus; a large share of the remainder resulted from income on foreign investments and inflows of short-term capital.

Belgium provided an expanding market for a number of U.S. products in 1973, particularly in the high technology and agricultural sectors. Sales prospects for these products are expected to remain favorable in 1974. Among those U.S. export items expected to experience growing demand in 1974, albeit at a slower rate than in 1973, are: aviation electronics and instrumentation, electronic components, telecommunications equipment, electronic process control instrumentation, hand tools, statistical and accounting machines operating in conjunction with punched or electronic cards, and desk-top electronic calculators.



Denmark

U.S. Sales Level Off After Record Gain In '73

U.S. exports to Denmark are abruptly leveling off after a record increase of nearly 50 percent last year. This reflects a general slackening of the Danish economy, according to Harold A. McNitt of the Bureau of International Commerce.

The boom conditions of 1973, sparked by Denmark's entry into the European Economic Community, came to a sudden halt because of the energy crisis and subsequent developments. While the economy is still inching forward, the pace has slackened sharply. A record balance-of-payments deficit and accelerating inflation disturb Danish government, business, and labor interests.

Denmark's GNP totaled $28 billion in 1973, a real increase of 5 percent over the previous year. The Danish Government forecasts a real GNP growth rate of only 2 percent this year. This estimate foresees a steep drop in home construction (previously a booming sector) and real increases of less than 2 percent in both private consumption and private investment. A relatively strong component of GNP this year will be public purchases of goods and services, expected to register a real increase of 4.5 percent.

A controversy over proposed tax increases in May underscored national concern about inflation and the balance of payments. The minority Moderate Liberal Government sought substantial excise tax increases to cut demand for consumer goods. Although the tax package finally was enacted, controversy over its provisions, especially among labor interests, continues.

The current slackening of economic activity affects all imports into Denmark, including those from the United States. Sales of U.S. goods are running at approximately last year's level. Danish business firms will continue to invest in new equipment to maintain their competitiveness, however, and many U.S. products now enjoy a strong competitive position on the market.

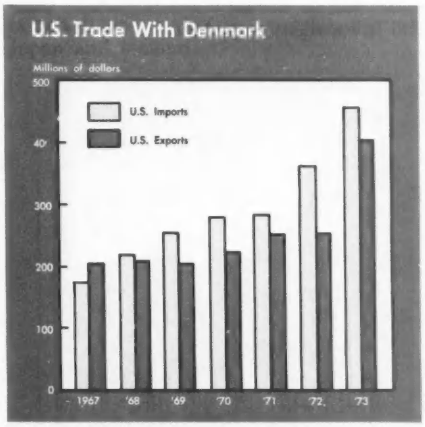
Denmark's pre-energy crisis boom generated enormous demand for imports. Imports from the U.S. in 1973 rose 49 percent to $516 million (Danish figures). Largest U.S. gains were achieved in cereals, feedstuffs, chemicals, plywood, transportation equipment, and instruments.

The excise tax increases adopted in May affect both domestic and imported consumer goods. A new 20 percent tax was levied on most household durables (except television sets). Existing taxes on automobiles, alcoholic beverages, and tobacco products were increased.

Denmark's membership in the enlarged EEC, effective since Jan. 1, 1973, has provided a stimulus to its growth. To take advantage of improved access to the EEC area, Danish firms are modernizing and expanding both plant and equipment.

Despite the Danish economic slowdown good prospects are reported this year for U.S. food processing and packaging machinery, plywood, plastic raw materials, pharmaceuticals, graphic arts equipment, and metal industries equipment.

U.S. companies wishing to explore the Danish market are encouraged to participate in shows at the U.S. Trade Center in Stockholm, which attracts interested buyers and agents.



Finland

U.S. Sales Rise Sharply Despite Economic Lull

The first four months of 1974 saw a 67 percent increase of U.S. exports to Finland compared with the corresponding period last year. A continued strong growth of U.S. sales appears likely, according to Harold A. McNitt of the Bureau of International Commerce, even if that rapid pace is not sustained. Paradoxically, the favorable U.S. sales picture comes at a time when the Finnish economy is experiencing a slowdown.

Finland's 1972-73 boom, fueled by strong world demand for Finnish machinery and forest products, was already experiencing a high rate of inflation (about 11 percent) and a mounting balance-of-trade deficit last year. The energy crisis, sharply increasing the cost of imported fuels, intensified these problems. The government, as part of its response, adopted several measures to restrain the growth of domestic demand, including measures to tighten credit. A slackening of economic activity ensued.

Finland's GNP totaled $17 billion in 1973, a real increase of 5.2 percent. This year, however, a slower increase of about 3.5 percent is expected.

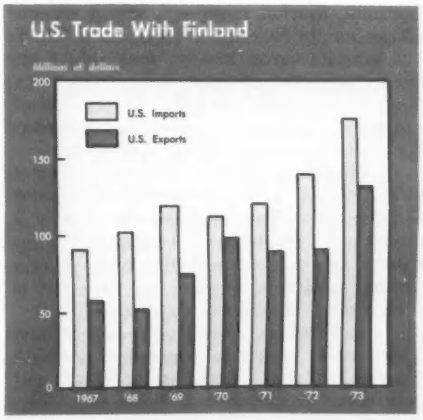
Finnish business leaders anticipate continued economic stability. All major interests—labor, management, farmers, and government—hammered out an "incomes agreement" in March that should mitigate wage and price inflation during the next year and a half.

Finnish figures show that it imported $198 million worth of U.S. goods in 1973, an increase of 41 percent over the previous year. According to Finnish statistics, the U.S. share of the Finnish market increased from 4.4 percent (1972) to 4.7 percent. The largest gains were registered by U.S. sales of electrical machinery (up 136 percent), nonelectric machinery (up 47 percent), and transport equipment (up 36 percent). So far in 1974, U.S. exports to Finland appear to be increasing across-the-board.

U.S. sales prospects will continue to be bright in the capital equipment field. Within the near future, rapid expansion is expected within the Finnish shipbuilding, metal fabricating, chemical, plastics, consumer goods, and other basic industries. Finland can be expected to encourage greater investment outlays in industries with exporting potential, in order to improve the balance-of-payments equation. (Finland's balance-of-payment deficit this year will reach record levels, possibly as high as $600 million.) Major sales opportunities also will develop in environmental pollution control equipment and equipment for production and distribution of energy.

After prolonged negotiations, Finland last year concluded an industrial free trade agreement with the European Economic Community. Tariffs on most industrial goods traded between Finland and the Community will be phased out by mid-1977.

The Finnish market is worth serious consideration by any company expanding exports to Northern Europe. A successful approach used by many firms seeking representation or direct sales in Finland is to participate in exhibits at the U.S. Trade Center for Scandinavia in Stockholm. American exhibitors are regularly surprised by the number of Finnish visitors at most shows and their level of interest in products exhibited.



Greece

Anti-Inflationary Steps Will Not Stifle Growth

With reasonable stability in international economic conditions and in Greece's domestic affairs, the real GNP will continue to grow, reports John L. Priamou of the Bureau of International Commerce. The rate will be reduced in 1974, however, due to the Government's efforts to combat inflation—from a 10.5 percent real increase in 1973 to 5-6 percent this year.

Manufacturing, agriculture, and banking will continue to be the largest contributors to the GNP in 1974. The Government continues its efforts to channel investments into the productive sectors and has reduced non-productive construction through the use of financial constraints and taxes.

Preliminary figures for the first quarter of 1974 show a continued sharp growth of imports. The outlook points toward a $3,500 million trade deficit in 1974, a 25 percent increase from 1973. The current account deficit for 1973 was $1,188 million.

Market for U.S. products

Since the last quarter of 1972, the wage-price spiral has been mounting rapidly. This upward trend continued during the first four months of 1974 but at a somewhat reduced rate, particularly toward the end of the period. With the generally high rates of inflation plaguing Greece's West European trading partners, compared with the lower rate in the United States, American products are gaining a price advantage. However, the Greek Government has introduced measures to minimize non-essential and luxury imports and to balance the trade account. These restraints will remain in force until December 1974. They include close scrutiny of all import license applications and increases in required advance prepayment deposits for certain imports.

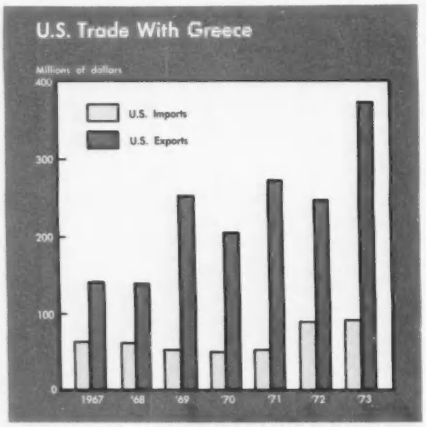
These measures, together with the reduction in Greece's tariff barriers for Common Market members, which reached 90 percent in November 1973, for products not manufactured locally, may dilute the price advantage to U.S. suppliers. Nonetheless, the growth of the Greek industrial and service sectors make Greece a promising market for U.S. products.

In 1973 U.S. exports to Greece reached $375 million, a 50 percent increase over those in 1972. This increase was mainly in foodstuffs, machinery, transport equipment, and other manufactured goods. During 1974 U.S. exports are expected to increase by 20 percent to $450 million.

Areas in which American products have good sales potential include synthetic textiles, textile machinery, steel mill products, irrigation and farm machinery and equipment, mining machinery, metal cutting and metal forming machine tools, food processing equipment, woodworking machinery, radio and TV communications equipment, commercial and industrial refrigeration, measuring and control instrumentation, shipbuilding and ship repair equipment, grain, feedstuffs, and chemicals.

Greek government agencies are also potential buyers of U.S. equipment and supplies. Their purchases through international tenders will amount to $305.1 million in plant, telecommunications, machinery and electrical equipment.

In spite of political and economic uncertainties Greece offers important sales and investment opportunities.



Netherlands

U.S. Sales Should Top Banner Year 1973

Faced with many uncertainties in the international trade picture, the highly foreign-trade-oriented Dutch economy is expected to show a slower economic growth rate in 1974, according to Bobette P. Heien of the Bureau of International Commerce.

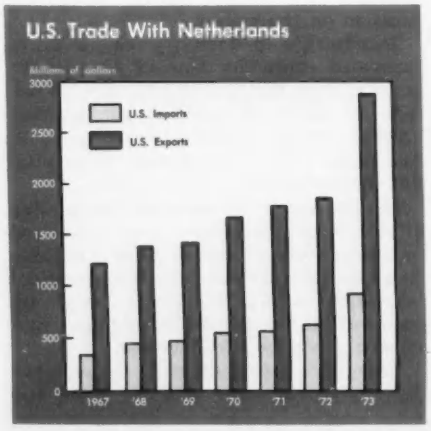
Higher petroleum and other raw material prices, as well as dampened international demand, may result in a 1974 GNP growth of 11.4 percent in current prices (to $69.2 billion), but a rise in real GNP of 2.5 percent, compared with a 5 percent rise the previous year.

The long standing problem of price and wage inflation in Holland is expected to intensify, with prices rising at 11 percent in 1974 compared with 8 percent in 1973 and wages continuing their surge at 15 percent a year, the fastest rise since 1964. At the same time, foreign trade prices are expected to increase dramatically in 1974 (exports +18 percent, imports +25 percent), but with small changes in the volume of trade. Despite higher energy prices, the Dutch anticipate a balance-of-payments surplus in 1974 of about one-half of the $1.8 billion registered in 1973.

The Dutch authorities are taking measures to protect the public from the immediate effects of "stagflation" in the economy. Attempts are being made to dampen inflation through price controls, a ceiling on dividends payable, and a widespread budgetary freeze. At the same time, in order to foster growth of the economy, the government has introduced a bill to reduce the burden of taxation by $228 million on July 1, by increasing the tax-free allowances for wages tax and income tax. In addition, in order to encourage investment, an investment allowance for plant and equipment will be introduced and the allowance for industrial buildings will be raised. As a result of these measures, unemployment should be contained at about 3.5 percent during 1974.

Largely owing to higher agricultural commodity prices, U.S. shipments to the Netherlands in 1973 were up a startling 53 percent over 1972. With most of the conditions which led to that export surge still in play, 1974 promises to be an outstanding year as well. The dollar/guilder exchange rate, which made many U.S. manufactured goods increasingly competitive in 1973, continues to favor U.S. exports. This monetary advantage is coupled with the fact that U.S. inflation has been lower than in the Netherlands or among our European competitors.

A wider range of U.S. goods than ever before should find ready acceptance on the Dutch market. Of particular interest are electronic data processing equipment, construction equipment, mechanical handling machinery, electronic components and electronic medical instruments. Oil and gas drilling and related equipment and services should enjoy a favorable market, and environmental control equipment should also fare well, due to the government's preoccupation with environmental quality. U.S. manufacturers of pollution control equipment should thus find a receptive market by participating in a Commerce-sponsored trade mission scheduled to visit the Netherlands in late spring 1975.



Norway

Oil Development Spurs Demand For Equipment

Sparked by demand for offshore oil equipment, U.S. exports to Norway during January-April were a whopping 92 percent higher than in the corresponding period in 1973, Harold A. McNitt of the Bureau of International Commerce reports. Even if this rapid pace is not maintained, 1974 is shaping up as a vintage year for U.S. exports.

The Norwegian economy, despite problems generated by the energy crisis and associated fuel price increases, is experiencing moderate growth this year. Domestic investment activity, led by Norwegian North Sea oil/natural gas exploration and production, is the strongest factor in the current upswing. Foreign demand for Norwegian forest products, aluminum, steel, and other exports is also holding up well. Private consumption is rising at a slower pace.

Norway's GNP totaled $20 billion in 1973, a real growth of 3.9 percent. This year, the GNP is expected to increase by 4.2 percent in real terms. Real disposable income, however, will increase by only 1 percent because of a worsening in Norway's terms of trade with other countries.

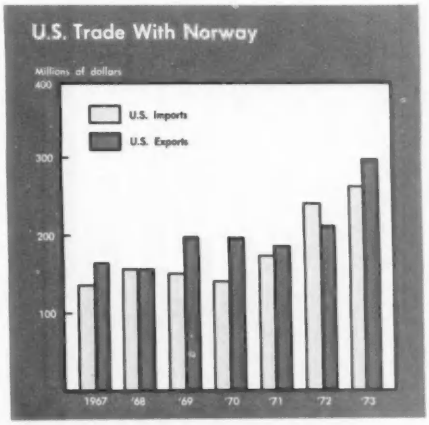
Confident that stable growth will be maintained, Norwegian industries plan to invest in new plant and equipment at a rate 24 percent higher than in 1973. Outlays in North Sea oil exploration and production alone will more than double to $775 million, according to preliminary surveys.

Norway's imports from the United States soared to $386 million in 1973 (Norwegian data), an increase of 45 percent. The U.S. share of the Norwegian market increased slightly from 6.1 percent to 6.2 percent. Huge increases were registered in U.S. sales of nonelectric machinery (up 20 percent), electrical machinery (up 81 percent), transportation equipment, including oil drilling rigs and the like (up 91 percent), and grains (up 221 percent).

The accessible, prosperous Norwegian market offers outstanding opportunities for U.S. sales development within several areas. Offshore oil equipment is obviously a high-priority item, since activity will continue to be intense in the Norwegian North Sea sector. Maritime equipment has tremendous potential; the Norwegian merchant fleet is the world's fourth largest and requires a vast array of equipment and supplies. Environmental pollution control equipment is another field which offers major opportunities to U.S. exporters. Excellent sales prospects are also reported for biomedical equipment, building and construction supplies and equipment, graphic arts equipment, and equipment for Norway's primary metals, petrochemical, and mining industries.

Though Norway's economic outlook is generally good, it will experience a very large balance-of-payments deficit this year (possibly as high as $1.2 billion). The deficit's seriousness is mitigated by the fact that Norway will shortly begin receiving large income from its oil/natural gas operations.

Consistent economic trends in Norway during the post-war period have created a significant market for advanced capital equipment. These trends include an exceptional rate of domestic investment. During 1966-70, Norway's expenditures on machinery and equipment were equivalent to nearly 20 percent of GNP, a rate exceeded among OECD countries only by Japan and Iceland.



Portugal

Outlook Uncertain; New Leaders Plan Reforms

The revolution that occurred in Portugal in late April has led to business uncertainties which are likely to be reflected in the country's foreign trade, according to William O. Sugg of the Bureau of International Commerce. Although forecasts under these circumstances are especially tentative, it seems probable that the sharp rate of import growth experienced in the first four months of 1974 will decline. On the other hand, the country's forward economic momentum should result in imports above those of 1973.

The new government that came to power following the April 25 coup plans sweeping reforms to modernize Portugal's economic structure and to improve living standards. Included in its list of priorities are plans to combat inflation, ensure equality of economic opportunity, adopt new measures regarding the state's role in the basic sectors of the economy, and liberalize controls over trade and capital investment. The government also intends to revise the national economic development plan, pursue regional economic decentralization, reform the tax and banking systems, nationalize banks of issuance, and promote agricultural reform.

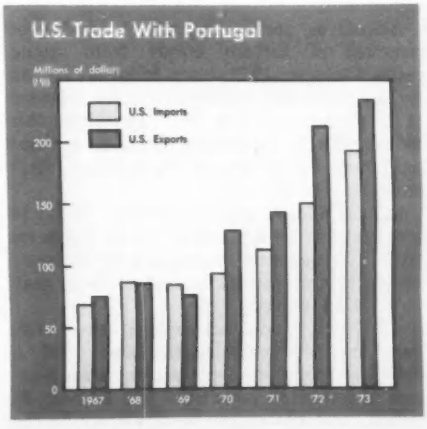
This is a very ambitious program, which if successfully carried out should result in increased demand for imports of advanced capital goods, industrial raw materials, foodstuffs and consumer goods. However, assessments of direct effects on U.S. trade and investment prospects must await the future enactment of specific measures designed to implement the announced economic objectives.

A wave of labor unrest followed the coup, accompanied by strikes and demands for improved working conditions. The government has called for restraint while instituting a new minimum wage equivalent to $130 a month and freezing wages above $300 a month. The government has also established a board with authority to restrict imports of luxury goods and has enacted measures to prevent capital flight.

The United States as a supplier of Portuguese imports ranked third behind West Germany and the United Kingdom in 1973, when U.S. exports amounted to $232 million, 8.2 percent of the import market. Chief products were aircraft and parts, machinery, corn, iron and steel, oilseeds, and coal. Over 90 U.S. firms have direct investments in Portugal, valued at about $150 million, and concentrated mainly in labor intensive industries.

U.S. exporters will face increased competition from Common Market producers as Portugal's free trade agreement in industrial products with the EEC is implemented. The agreement provides for the gradual elimination of Portuguese duties vis-a-vis the EEC by 1985, while EEC duties on Portuguese products will be eliminated by 1977.

In recent years Portugal's receipts from tourism and emigrants' remittances have more than offset the usual substantial trade deficit, and the overall balance of payments has been favorable. In April, international reserves amounted to $2.8 billion, equivalent to about 12 months imports.



Spain

Trade Expanding Sharply But Rate May Moderate

The volume of Spain's foreign trade should continue to expand in 1974, although the rate of increase may decline from the sharp rise experienced early this year, reports William O. Sugg of the Bureau of International Commerce.

Maintenance of a high rate of economic growth and high levels of employment are key objectives of Spanish policy. In recent years the Spanish economy has undergone rapid expansion, particularly in industrial development, and this trend is expected to continue.

Real GNP rose by 7.8 percent in 1973, but because of cyclical factors and adverse effects of the energy crisis a slowdown was in prospect this year. The Spanish Government has accordingly undertaken to counteract these developments with a stimulative program which includes reductions in taxes on petroleum products and the postponement of planned increases in social security contributions. It is now estimated that real GNP growth this year will be around 5 percent which while low by recent Spanish standards, is very favorable compared with prospects in many other countries.

Total imports during the first four months of 1974 increased by 63 percent over the similar period last year, while imports from the United States rose by 61 percent. Although this steep rate is unlikely to be maintained for the year as a whole, a projected increase of 25 percent does not now appear overly optimistic. The U.S. share of imports last year was 16.1 percent, near the long-term average, and should approximate that figure again this year.

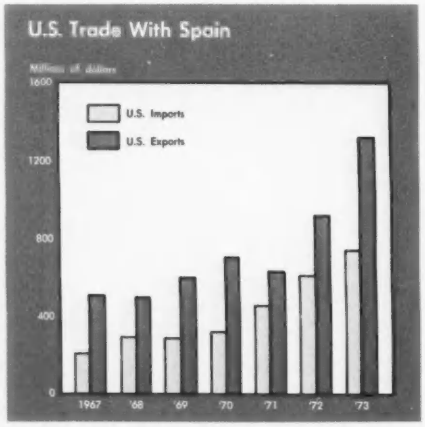
Although the U.S. competitive position in the Spanish market has benefited from the devaluation of the dollar, this advantage is being offset to some extent by the tariff preferences Spain is granting the EEC under their preferential trade agreement.

Selective tariff reductions and the removal of certain goods from quota restrictions in 1973 were followed by an across-the-board temporary tariff reduction of 5 percent in January. In April this reduction was superseded by a 10 percent reduction which was to remain in effect until July 5.

Inflation in Spain as elsewhere began to accelerate in 1973, with a rise in the price level of 11 percent. Despite anti-inflationary measures, the rate of increase this year may be near 14 percent.

Although Spain has enjoyed an overall balance-of-payments surplus since 1969, a deficit is probable this year. The additional cost of imported petroleum will be near $2 billion, and the expected slowdown in the economies of Spain's trading partners will affect its exports. However, with reserves near $7 billion at the beginning of this year, Spain should have no difficulty in meeting an estimated deficit of about $1 billion.

Rapid industrial expansion is creating many opportunities for the sale of capital goods, and particularly good sales prospects exist for the following product categories: printing and packaging equipment, food processing equipment, advanced business machines, chemical processing equipment, pollution control equipment, sophisticated electronic components, metalworking equipment, materials handling equipment, and automotive maintenance equipment.



Sweden

Moderate Upswing Seen Continuing High Demand

Reflecting an increase in Swedish economic activity, U.S. exports to Sweden during January-April soared to a point 67 percent above the corresponding 1973 period. Even if this extraordinary sales level is not fully maintained, an excellent year for U.S. exports is assured, Harold A. McNitt of the Bureau of International Commerce predicts.

Sparked by foreign demand for its principal exports, the Swedish economy is experiencing a moderate upswing. Domestic demand—previously a weak component—is also accelerating.

Sweden's gross national product reached $50.4 billion in 1973, a real increase of 2.9 percent over 1972. This year a more rapid growth of 4.5 percent is forecast.

Because of rising import costs, especially of fuel, Sweden is faced with inflationary price increases and a sizable balance-of-payments deficit this year. However, these difficulties are offset by bulging order books in such basic industries as paper and pulp, steel, shipbuilding, and metalworking. Continued moderate growth is expected well into 1975.

Although inflation is a serious problem, it is somewhat less damaging than in many other European countries. A 10-11 percent increase in consumer prices is predicted by the Swedish Government for 1974. This forecast may prove optimistic, however, in view of soaring import costs.

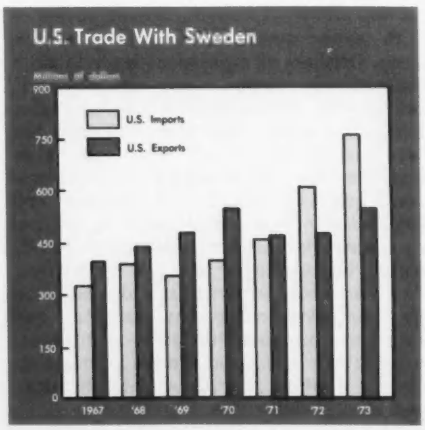
Swedish imports from the United States reached a record level of $705 million last year, according to Swedish statistics. As usual, U.S. capital equipment scored big gains, especially electrical machinery. Foods and chemicals also made impressive increases.

U.S. export prospects in Sweden are bolstered by the current rise in Swedish capital outlays, expected to increase by 10 percent this year. Domestic investment, hitherto a weak point in the current upswing, is picking up as businessmen set their sights on cost-reducing equipment. The most active industries at this time are engineering (machinery, ships, metal products), paper and pulp, and wood products. Demand is also strong for environmental control equipment, EDP equipment, advanced educational training aids, packaging machinery, and building and construction equipment.

A Swedish Government forecast that private consumption this year will rise by 4.5 percent in real terms gives ground for optimism that quality consumer goods also have bright prospects.

The U.S. Trade Center for Scandinavia, located in downtown Stockholm, offers U.S. exporters an opportunity to display their goods under ideal conditions at little expense. Upcoming exhibitions at the Center include educational communications systems in September, building materials and equipment in October, and environmental pollution control equipment in December.

Rising import costs will bring a current accounts deficit of about $200 million this year, according to present estimates, a manageable deficit in view of Sweden's strong foreign exchange reserve position.



Switzerland

Currency Realignment Benefits U.S. Exports

Swiss imports from the U.S. are expected to grow in 1974 but at a slower rate than in 1973, reports Leo Kuus of the Bureau of International Commerce.

The GNP, which in 1973 increased in current prices by 13 percent to $41.5 billion, and in constant prices by 4.3 percent, is expected to expand by only 2 percent in 1974 in constant prices because of ever-increasing production costs and tight liquidity.

Domestic production is hampered by the labor shortage and credit restrictions. The reduced rates of expansion in domestic and foreign trade indicate that competition in domestic and foreign markets has become more intense and that part of the increased cost has to be absorbed by the producers and traders.

The extent to which Switzerland is engaged in foreign trade can be seen from the fact that imports and exports per capita and in relation to GNP are among the highest in the world.

At the end of the first quarter of 1974, retail and wholesale prices in Switzerland had increased at about the same rate as in the U.S. However, because of past dollar devaluations and the appreciation of the Swiss franc, the dollar is now under-valued vis-a-vis the Swiss franc, which makes U.S. exports more competitive on the Swiss market.

U.S. exports to Switzerland increased during 1973 in dollars by 43 percent and in Swiss francs by 19 percent. At the same time, the U.S. market share decreased from 6.9 percent in 1972 to 6.4 percent in 1973.

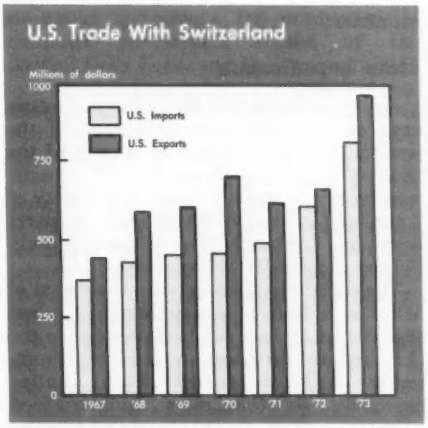
During the first four months of 1974, U.S. exports have grown to a lesser extent than in 1973, but the United States has still maintained its position as Switzerland's fourth largest supplier. The United States has been able to hold this position despite the Swiss Free Trade Agreement with the EEC, according to which Swiss tariffs on industrial products from EEC countries were reduced by a second 20 percent on January 1.

Swiss imports reflect the country's deficiency in natural resources and the high living standard of the population. Oil imports in 1974 will probably cost Switzerland some $700 million more than in 1973 and turn the current account of the balance of payments into a deficit of $300 million. However, such a deficit is not expected to affect the value of the Swiss franc because of continuing net capital inflow.

Labor saving machinery and instruments will continue to have good prospects on the Swiss market, as do environmental protection and health care equipment and technologically superior consumer goods.

Commerce has planned three trade missions to Switzerland—an environmental protection mission in October, and electronics and health equipment missions in early 1975.

U.S. direct investments in Switzerland are at present adversely affected by the lower dollar value and restrictions in granting work and resident permits to foreigners. Such restrictions are, however, intended to stabilize the number of foreigners in Switzerland, not to inhibit foreign direct investments.



Yugoslavia

U.S. Exports Increasing Despite Austerity Policy

U.S. trade with Yugoslavia in 1974 is expected to increase in both directions, according to Leo Kuus of the Bureau of International Commerce. Because of growing demand spurred by inflation and under-utilization of productive capacity, industrial production should increase, and this, in turn, should necessitate more imports from the United States.

GNP in current prices increased in 1973 by 21 percent to $20 billion and in constant prices by 5 percent. A 6 percent growth in constant prices is planned for 1974 in order to contain inflation.

Business confidence is being affected by the apparent inability to curb inflation and the weakening of the balance-of-payments position. However, with enterprise liquidity improved, investment very strong, and consumer demand and exports satisfactory, real growth in industrial output is better than in recent years and right on the projected target of 10 percent. Remittances from Yugoslav workers abroad are indispensable in view of the large trade deficit and outlays for servicing of the foreign debt, but the status of Yugoslav workers abroad has become more fragile because of dislocations caused by the sharp rise of oil prices.

Our exports have become more attractive on the Yugoslav market because of inflationary price rises, which in 1974 exceeded 20 percent. Yugoslavia's attempts to maintain stable dinar exchange rates vis-a-vis its main supplier-countries also have been favorable to our exports.

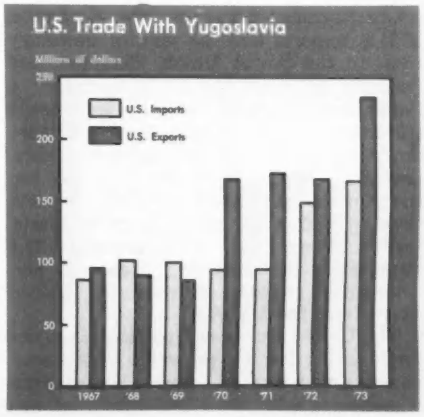
The United States has traditionally been Yugoslavia's fourth largest supplier providing, during the last five years, about 5 percent of Yugoslav imports. In recent years more than half of U.S. exports to Yugoslavia have been financed by the Eximbank and the Commodity Credit Corporation.

In view of Yugoslavia's increasing trade deficit, the current account of the balance of payments is expected to wind up in 1974 with a deficit. However, existing foreign exchange reserves, $1.6 billion at the end of 1973, are high enough to cover the deficit.

Certain agricultural products and capital goods will continue to have the best prospects on the Yugoslav market, such as machinery and equipment for food processing and packaging, for metalworking and for pulp and paper processing. Yugoslavia's plans for the construction of hydroelectric plants and of the Pan-Adria pipeline also provide opportunities for U.S. equipment.

Upcoming Commerce trade promotional activities include participation in the Zagreb Fall Fair in September and an office machine exhibition in October. In addition, three trade missions, featuring packaging, agricultural and environmental protection equipment, and a technical seminar on telecommunications will be conducted in Belgrade.

Yugoslavia is interested in U.S. joint venture capital because of superior U.S. technological and managerial know-how. The January 1973 agreement between the Yugoslav Government and the Overseas Private Investment Corporation to cover political risks is facilitating U.S. investments. As of January 1974, the total joint venture investment of 14 U.S. companies amounted to $24.3 million.



U.S. Trade With Socialist Nations Continues Climb

Last Year's Surplus Of $2 Billion May Be Repeated

U.S. trade with the socialist countries continues to grow at a rate that may well yield the United States a surplus of close to $2 billion by the end of 1974, Andrew Elias of Commerce's Bureau of East-West Trade reports.

U.S. exports to the socialist countries during the first five months of 1974 increased from $919 million to $1,080 million, or by about 18 percent over the same period of 1973. At the same time our imports from those countries grew from $214 million to $440 million, or at a rate almost six times faster, thus more than doubling the relatively low value of such imports during January-May of 1973.

On the basis of individual country comparisons, excluding the still negligible volumes of our trade with Albania and the Mongolian People's Republic, the trend so far this year indicates a 1974 U.S. surplus with all socialist countries, with the sole exception of Bulgaria. For Bulgaria, we may experience a deficit of a few million dollars, as contrasted with a $2 million surplus registered in 1973. The largest surplus, $1 billion, is expected in our trade with the People's Republic of China, primarily due to continued large shipments of agricultural commodities. The U.S. trade surplus with the Soviet Union in 1974 may reach $0.5 billion.

Future prospects

Prospects for the growth of U.S. trade with the socialist world remain bright, with the United States continuing to maintain a large surplus for the foreseeable future. The business climate in the area has improved and U.S. companies have recently negotiated multimillion dollar contracts with representative state agencies in the Soviet Union, the People's Republic of China, Poland, Romania, and other socialist countries.

Contributing to the vigorous expansion of U.S. exports was the visit of Secretary Dent to the Soviet Union, Romania, and Bulgaria in April 1974. In addition, a Commerce-sponsored executive-level trade mission visited Hungary in April and found promising prospects for long-term trade. Secretary Dent was received by top government and party officials in each country, and in his talk with Soviet party leader Brezhnev, he stressed the importance of improving economic and commercial relations between the United States and the USSR.

The United States will participate in the forthcoming fair for polymers in Moscow, the engineering fair in Brno (Czechoslovakia), the Plovdiv international fair (Bulgaria), and the Bucharest international fair for industrial process control instruments. Tentative plans call also for participation in the Budapest international fair in the spring of 1975. It is hoped that U.S. participation in these and other fairs will contribute to the further expansion of trade with the socialist countries.

Main impediments

Important factors influencing the future expansion of U.S. trade with most of the socialist countries are the extension of the Most-Favored-Nation (MFN) tariff treatment and the continued availability of Eximbank credits for their major imports from the United States. Presently only Poland enjoys MFN treatment.

The socialist countries view the denial of MFN as a form of discrimination against them which gives a competitive edge in the U.S. market to those nations which do enjoy MFN treatment. This applies especially to the more industrialized socialist countries whose exports suffer from high tariff rates to a much greater extent than those which export predominantly non-manufactured commodities.

The importance of MFN treatment to the socialist countries is illustrated by a recent study by the Bureau of East-West Trade, which indicates that had our trade relations with Eastern Europe and the Soviet Union been normalized in 1971, U.S. imports from those countries in that year would have been almost six times larger than they actually were. On the average, about 56 percent of the estimated increase would have been due to the granting of MFN treatment, while 44 percent would have been caused by the removal of non-tariff barriers, such as quotas or embargoes. On the individual country levels, the share of MFN as one of the factors contributing to expansion of U.S. imports ranged from 81 percent for the German Democratic Republic, to 27 percent for the USSR. The assumptions underlying this study, if applied to the broad structure of exports from the People's Republic of China, suggest that U.S. imports from the PRC would increase at least 30 percent, but more probably over 100 percent, as a direct result of MFN extension. Commodities most affected by the lack of MFN include iron and steel, clothing, transport equipment, electrical machinery, footwear, and miscellaneous manufactured articles.

For the socialist countries to which its facilities are available—USSR, Poland, Romania—the Eximbank is an important source of financing on reasonable terms. It has enabled U.S. companies to obtain large contracts which would otherwise have gone to West European or Japanese firms. Both MFN and Eximbank credits will continue to be important issues in our trade relations with the socialist countries.

The trade reform bill, which provides for the extension of MFN to the socialist countries, is presently before the Congress, as is the legislation authorizing the continued activity of the Eximbank. As this is written, it is difficult to predict what final form these bills will take. However, it is worth stressing that the Administration remains committed to the extension of MFN to the socialist countries in return for appropriate commercial concessions and to the use of Eximbank credits to promote U.S. sales.

In addition to the increasing volume of U.S. shipments to the socialist countries, there has also been a change in the composition of those shipments. While in 1973 agricultural commodities accounted, on the average, for almost 80 percent of all

U.S. Trade With East Europe, USSR, China

Millions of dollars

Country	Exports		Imports	
	1972	1973	1972	1973
USSR	542.2	1,190.3	95.5	214.8
East Europe	276.9	606.3	225.1	304.6
Albania	.2	.2	.5	.5
Bulgaria	3.5	6.5	2.9	4.5
Czechoslovakia	50.0	72.0	28.0	35.2
German Democratic Republic	17.5	28.0	10.3	10.5
Hungary	22.6	33.0	12.7	16.4
Poland	113.6	350.0	139.2	181.9
Romania	69.4	116.6	31.5	55.7
People's Republic of China	63.5	689.6	32.4	64.0

our exports to the socialist countries, in 1974 this proportion may drop to as low as 70 percent. With the possible exception of Hungary, the share of non-agricultural products in U.S. exports to each socialist country will probably be higher in 1974 than it was in 1973. This is especially true of our shipments to Bulgaria and the Soviet Union, although in the latter case the shift is to a large extent caused by a sharp decline in U.S. grain exports this year. Major manufactured products currently exported by the United States to the socialist world include aircraft and parts, automotive manufacturing equipment, metal cutting machines, and gas compressors. However, most of our shipments still consist of agricultural commodities, such as corn, soybean oilcake, cotton, wheat, and skins and hides.

On the import side, the structure remains generally the same, except for changes in the rank order of various products. As in 1973, the list of the U.S. imports from the socialist countries so far in 1974 is headed by petroleum and petroleum products, platinum-group metals, and boned and cooked pork. Also high on our shopping list from this area is an assortment of unwrought metals, such as tin, titanium, zinc, copper, and nickel, as well as diamonds, chrome ore, textiles and furskins.

Aside from the conventional import-export activities, an increasing number of U.S. corporations are showing an active interest in various kinds of cooperation agreements with their counterparts in the socialist countries. Some of these agreements may eventually result in billion-dollar transactions, requiring autonomous infrastructures for their operations. An example is the agreement concluded by Occidental Petroleum Co. and its associates (under which super-phosphoric acid is to be shipped to the USSR in exchange for shipments of nitrogen fertilizers and potash to the United States).

Some U.S. companies have signed broadly worded agreements on scientific and technical cooperation in specified areas of joint interest with the Soviet State Committee for Science and Technology or with particular Soviet Ministries. Such agreements may lead to commercial contracts for specific projects.

Examples include agreements signed by Lockheed Corp. (covering navigation systems, oceanographic appratus, medical electronics, and air traffic control systems); Armco Steel Corp. (metallurgical, chemical, and oil-field equipment industries); ITT (telecommunications, electronic and electro-mechanical components, consumer products, and scientific technical publishing); Food Machinery Corp. (R & D of farm machinery in the food industry production of soft drinks, packaging materials and machines, oil equipment, materials handling machinery, building machines and mining equipment); and General Dynamics (ships, telecommunications, asbestos mining, aircraft, and microfilm equipment.) Also, important cooperation agreements are being negotiated between Kaiser Industries and Bulgarian authorities (for production of iron and steel, ore mining and dressing, cement production, manganese extraction, coal mining, design and construction of harbor equipment, development of transport systems, and installations for container handling), and between General Electric and Romanian authorities, covering possibilities for manufacture of industrial and electrotechnical products.

Some of the socialist countries are showing increased interest in joint projects. In this category is the joint venture and marketing agreement for production of computer peripherals, signed by the Control Data Corp. and the one negotiated by Cummins Engine Co. for manufacture of diesel engines, with appropriate state authorities of Romania. Hungary has signed three joint venture agreements with Western firms and is negotiating with several U.S. companies. It is expected that as the laws in other socialist countries are modified, where necessary, to allow for setting up joint ventures with western companies, the number of such undertakings will increase considerably.

Another important feature in U.S. trade with these countries is the export of complete plants, such as the sale by M.W. Kellogg Co. of eight ammonia plants to the People's Republic of China, or the sale of an advanced electronics manufacturing plant by Westinghouse Electric to Poland, and many others.

Bulgaria

Sales Prospects Favorable In Agriculture, Industry

Trade between Bulgaria and the United States has increased substantially since 1972 and continues to grow. U.S. exports to Bulgaria in 1974 are expected nearly to double their 1973 level of $6.5 million, Alex Morton of the Bureau of East-West Trade reports. Faced with a chronic labor shortage which hurt the performance of the agricultural sector in 1973, Bulgarian officials have indicated a strong interest in technologically sophisticated U.S. goods and equipment to modernize their agroindustrial and industrial enterprises.

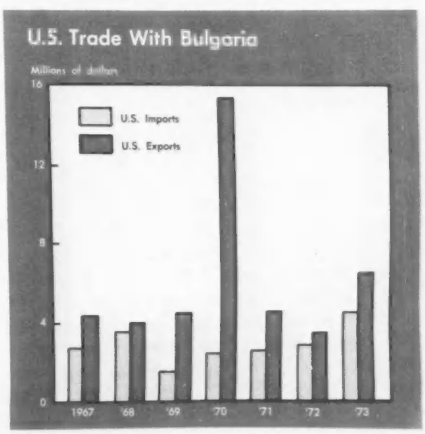
Commerce Secretary Dent's April visit to Bulgaria—the first by a U.S. cabinet-level official since 1963—continued the forward momentum of U.S.-Bulgarian commercial relations. The visit was an occasion for exchanges of views by officials of both governments concerning prospects for expanded commercial relations. What emerged from these talks was the desire expressed by both sides to settle existing differences and foster a freer flow of trade.

Several areas of Bulgarian interest in U.S. exports were identified during the meetings. In general, the Bulgarians showed an interest in obtaining electronic, oil extraction, and shipbuilding equipment. Resprom, an industrial association of manufacturers of communications equipment, indicated that it welcomed U.S. assistance in reconstructing and modernizing plant facilities, licensing new technology and training personnel. U.S. technology for power generation from low-calorie, high-residue coal also appears to be marketable. Finally, the Bulgarians appear willing to cooperate with U.S. firms in the exploration of the Black Sea shelf, the extraction of manganese reserves, and the liquefaction of large lignite deposits. Cooperation is all that can be offered, because it is unlawful in Bulgaria for foreign investors to hold equity in a Bulgarian enterprise.

U.S. businessmen have recently negotiated with the Bulgarians about exporting computer hardware, steel mills, shipyard facilities, cement factories, canning factories, petroleum extraction, and a number of labor-saving machines. The Bulgarians strive to achieve a trade balance through the export of bottled wines, diesel and electric trucks, hoists, cigarettes and attar of roses.

Agriculture claims the attention of currently scheduled trade promotion events in Bulgaria. The United States will stage an exhibit of agricultural equipment at the Plovdiv International Fair, Sept. 3-10. A trade mission oranized by the State of Iowa will visit Sofia Sept. 20-23 and also will feature agricultural equipment and services. In May 1975, the Commerce Department will sponsor a technical sales seminar on the manufacture of agricultural chemicals and their uses.

Business with Bulgaria should receive a further boost from the anticipated formation of a Joint Economic Council by the U.S. and Bulgarian Chambers of Commerce. To be composed of member business executives in the two countries, the Council will provide a forum for discussion of a broad range of commercial issues, and for dissemination of commercial information and trade opportunities.



China

Agricultural Products, New Factories Needed

U.S. trade with the Peoples Republic of China (PRC) will reach new levels this year with good future prospects for sustained growth, although at lower rates than the remarkable increases registered in the 1972-74 period, William Clarke of the Bureau of East-West Trade reports. The highly favorable balance in trade with the PRC is unlikely to continue indefinitely unless further progress is made toward normalizing the commercial relationship by extending most favored nation tariff treatment (MFN), by eliminating the blocked assets/private claims issue, and by resolving the other remaining economic issues.

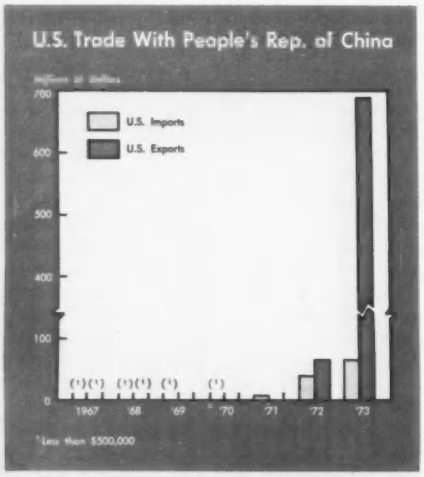
The recent emphasis given foreign trade by China is attributable to the need to add modern, large scale plant to the industrial skyline and to the need to maintain adequate reserves of agricultural products for the expanding population. The leading position of the United States as a supplier of advanced industrial technology and as a source of agricultural products augurs well for U.S. export prospects. American exports to the PRC in 1973 reached about $690 million or around 15 percent of all of China's imports. Exports can be expected to top $1 billion dollars this year.

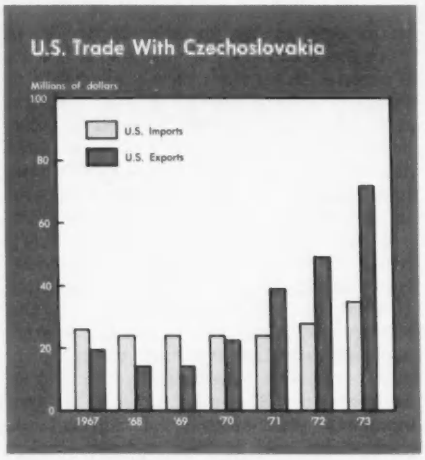
Industrial equipment up

During 1974 agricultural products, principally wheat, corn, soybeans, and cotton continue to lead U.S. exports to China. The outlook calls for a continuation of their dominance but with a gradually declining share as non-agricultural raw materials and industrial equipment and technology exports grow. This year the agricultural share of our exports is expected be about the same as last year, 83 percent, compared with 97 percent in 1972.

The growing non-agricultural sector of U.S. exports is mainly attributable to the export of iron and steel scrap, non-ferrous metals, fertilizers, chemicals, air transport equipment, telecommunications equipment, petroleum exploration and drilling materials, mining equipment, and ammonia plants for nitrogenous fertilizer manufacture. American commercial jet transports are now being flown on some domestic routes in China. International communications between Peking and the rest of the world have been greatly improved by the addition of US-origin satellite earth stations. The ammonia plant contracts, running over $200 million, are the first complete plant purchases in the United States by the Chinese. Prospects for additional plant purchases are especially good as the Chinese have been engaged in a major buildup in their power, steel, and petroleum and petrochemical industries. PRC purchases of complete plant in the last 18 months ran $1.9 billion.

The Chinese have financed about $1.2 billion of their plant purchases, but except for some short-term credit for agricultural products, all U.S. contracts have been for cash. In the face of a total trade jump from $5.7 billion in 1972 to $9.3 billion last year, the Chinese have done a remarkable job in nearly balancing trade. Increased exports of crude petroleum will assist the trade balance and permit more purchases of American products.





Czechoslovakia

Industrial Modernization Will Spur Trade Growth

U.S. exports to Czechoslovakia in 1974 will possibly be 20 to 30 percent higher than in 1973—or close to $90 million. The increase will be sustained partly by continued Czechoslovak imports of American feedgrains and raw materials, and partly by increased prices of American goods. Additionally, it should be spurred by Czechoslovak plans to increase imports from the West, reports James L. Ellis of the Bureau of East-West Trade.

In the longer term American sales of licenses and technology should grow markedly, as Czechoslovakia introduces major expansion and modernization in a number of industrial sectors. Among the more important areas to be affected are petrochemicals, machine tools, automobiles (both cars and trucks), as well as power-generation, construction, and roadbuilding equipment. In fact, the whole range of American technology is up for examination as Czechoslovak officials strive to boost the economy's productivity.

For automotive sector

In connection with its expansion plans in the automotive sector, Czechoslovakia has indicated a particular interest in finding American suppliers of automotive metal-working machinery, and foundry and casting plants for mass production of parts for passenger car engines.

American firms could not find a better time to introduce themselves into the Czechoslovak market. The Government is now preparing the plans which will guide the development of the Czechoslovak economy over the next five years (1976-80), and the surest way of making sales is to obtain mention of one's products or technology in the planning documents.

In the future, the nation is also likely to increase imports connected with consumer goods. There is significant reserve purchasing power in the hands of consumers, who now hold personal savings accounts averaging the equivalent of four months' basic wages for an industrial worker. The Government must eventually respond to this situation, either by direct purchases of consumer goods, or by import of technology to produce these goods.

Clouding the trade outlook for Czechoslovakia, however, is the surge in world prices of raw materials. Resource-poor, Czechoslovakia depends on raw material imports to produce manufactures for internal consumption and export. Without technological improvements, many current Czechoslovak manufactured exports cannot command correspondingly higher prices on world markets to offset higher raw materials prices. The heavy imbalance of trade which is likely to result may cause severe internal economic dislocations.

The Commerce Department is planning a number of trade promotion activities in Czechoslovakia. They include: an exhibition in mini-computers at the fall Brno Fair; a spring exhibition in pharmaceutical process controls; technical sales seminars in vacuum and cryogenic equipment and water purification and desalinization; trade missions in graphic arts technology and mining equipment, and a Bratislava show in chemical processing equipment.

E. Germany

Trade With U.S. Should Continue Modest Growth

U.S. trade with East Germany should continue to record modest growth through the remainder of 1974 and into 1975. U.S. exports to the German Democratic Republic (GDR) reached $9.5 million in the first four months of 1974, an increase of $4 million over the same period in 1973. U.S. exports in 1973 were $28 million while U.S. imports from the GDR totaled $10.5 million, according to Michael Hutchinson of the Bureau of East-West Trade.

Modest gains in U.S.-GDR trade should again be reflected primarily in U.S. agricultural exports. Dry conditions during the first four months of 1974 in the GDR have slowed crop growth and import demand is likely to remain up. In addition, continued growth of the GDR livestock industry will lead to increasing demand for animal feedstuffs. In 1974, East Germany intends to concentrate on alleviating its shortages of farm machinery, fertilizer, and fodder by stressing domestic productivity. Demand for U.S. agricultural products however, should continue undiminished. Through April, U.S. corn shipments to the GDR exceeded $6 million, almost two-thirds of all GDR imports from the United States during the period.

Other opportunities

Other product categories which appear most promising for U.S. exporters include industrial measuring and control equipment; basic chemicals and petrochemical feedstocks; chemical plant, machinery, and equipment; food processing and packaging machinery; electronics industry production equipment; electronic data processing equipment; and medical and surgical equipment. Some foreign currency may also be available for consumer-oriented goods and equipment.

As a highly industrialized state with a gross national product approaching $50 billion per year, East Germany is receptive to exchanges of technology, patents, and licenses. Areas of specific interest to the GDR include industrial automation; chemical industry processes, especially involving either soft or hard coal; prefabricated building sections; woodpulp processing; household appliances; casting and forging processes; steel production and power metallurgy; shoe-making; and plastics industry processes. Participation in GDR plans to modernize its airports may also be worth exploring by American businessmen.

For new-to-market firms, a visit to the semi-annual Leipzig Fair (next scheduled for Sept. 1-8, 1974, and March 9-16, 1975) can provide a useful opportunity to evaluate sales prospects and can be important to the establishment of business relationship with GDR enterprises. The U.S. Government does not currently sponsor trade promotional activities in the GDR.

Hungary

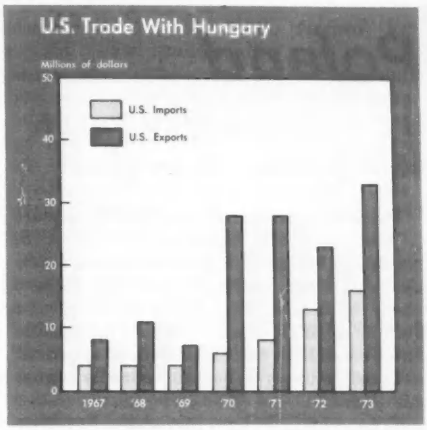
U.S. Exports Are Headed For Another Record Year

U.S.-Hungarian trade is off to a fast start this year, showing record levels of sales in both directions, and prospects indicate a substantial increase over the highs reached in 1973. With both countries continuing to put high priority on increasing trade, it is likely that the upward trend will continue into 1975, James A. Treichel of the Bureau of East-West trade reports.

U.S. sales to Hungary this year should reach $45 million, a 36 percent jump over last year's record of $33 million. Hungarian export performance is likewise continuing to improve and could attain a total of $25 million this year.

As has been the case in recent years, feed grains and other agricultural products, including farm equipment, account for a sizable part of Hungary's purchases from the United States, and this trend will continue into 1975. The Hungarians are growing soybeans experimentally, but, even if successful, this project would have little impact on their need for feedstuffs in the next few years.

The Hungarians put high priority on solving the problem of most-favored-nation (MFN) tariff treatment, but they have also shown a willingness to look for other ways of increasing the flow of goods between the two countries. Resolution of the MFN issue would undoubtedly increase U.S.-Hungarian trade, as presently each country assesses high duties on the products of the other. Gains which the Hungarians have made in their exports to the United States indicate that they can generate greater hard currency revenue to help finance purchases from U.S. companies.



Despite a substantial shakeup in its leadership in March, Hungary is expected to continue its pragmatic domestic policies and its active involvement in international economic affairs. Last year was a good year for Hungary, registering a GNP growth of 6 percent to $19.2 billion (in 1972 dollars) and a surplus in trade with both East and West. This year GNP growth is expected to be slower, a 4.5 percent rate, but investment will increase by 6 to 7 percent and foreign trade activity will continue to expand. Cooperation transactions will be stressed.

The climate for American business in Hungary has continued to improve. In April a Commerce-sponsored executive-level trade mission consisting of executives from eight large U.S. corporations was well received in Budapest, and in June the Hungarian and U.S. Chambers of Commerce initialed a cooperation agreement which will facilitate business contacts. In addition, the Hungarians have made the first practical application of their joint venture law of 1972, signing an agreement to form a joint company with the West German firm, Siemens. Several U.S. companies are discussing joint venture possibilities with Hungarian counterparts.

To enhance their purchasing capabilities, the Hungarians have made effective use of world money markets. Since 1968 they have obtained over $400 million in loans and $175 million through Eurobond issues. The Hungarian National Bank has recently floated a new Eurodollar issue of $100 million with U.S. and Canadian banks.

Hunagary is likely to continue to be a substantial importer of agricultural commodities and equipment, as well as computers and other electronic devices. The planned expansion of the Budapest airport may also offer sales possibilities to U.S. firms. A complex Hungarian-Czechoslovak Danube River utilization scheme which would involve building several large dams between Bratislava and Esztergom is on the drawing boards. Opportunities exist in the food processing industry, motor vehicle cooperation (excluding passenger cars), medical equipment and instrumentation, and some areas of the chemicals industry.

Poland

U.S. Exports May Reach $500 Million This Year

The volume of current shipments appears to bear out the expectation that U.S. exports to Poland this year will reach a new high and may approach the $500 million mark, according to Leon Lewins of the Bureau of East-West Trade. The sizable trade balance in our favor, which appeared last year, is likely to be substantially higher this year.

Shipments to Poland during the first four months of this year amounted to $148 million. Projected on a straight line this would indicate a total for the year of about $450 million, as compared to $350 million in 1973. Bearing in mind, however, that the seasonal pattern of Polish imports usually shows an increase in shipments during the latter part of the year, it is highly probable that the total for the year will be around $500 million.

Plans for economic development through 1975 envisage continuation of the vigorous program now under way to expand and modernize Poland's industrial plant. The availability of Export-Import Bank credit facilities and the progressive normalization of bilateral trade relations have greatly enhanced the export opportunities for U.S. firms in many fields.

Polish traders welcome the existing and growing possibilities for meeting the preferences of their industries for U.S. equipment and technology. In 1973, the Poles signed contracts with U.S. firms for capital equipment amounting to $250 million. Another $250 million worth of contracts for such equipment is expected to be concluded this year.

Modernization program

Poland's intensive program to modernize its industry stems not only from the need to provide a better supply of goods for the domestic market and a wider variety of products for export to hard currency countries, but also to secure the continuing acceptance of Polish products by other socialist countries. Polish planners are keen observers of the outward-looking trading policies which currently guide the other socialist countries in their economic relations with the West. They realize that Poland's future place as a specialized producer and supplier to COMECON (Council for Mutual Economic Assistance to promote economic integration of the Eastern European area) markets will increasingly depend upon the competitiveness of Polish products vis-a-vis those available from the West. They see this coming trend reflected in the steady growth of East-West trade as a share of overall world trade and in the fact that trade between East and West has been expanding more rapidly than that among COMECON members.

While maintaining its traditional food, raw materials, and semi-finished goods exports, the Poles are in the process of gradually overhauling the product mix of their industrial production to increase the quality and availability of labor-intensive items for export. Poland's willingness to incur large deficits in its trade with the West, and especially with the United States, may be seen as part of a policy to achieve this aim: to equip Polish export industries with the needed technology in order to improve the competitiveness of their products in both Western and Eastern markets.

In this connection, the current trend in Poland's machinery industry appears to favor the production of specialized equipment rather than universal machines which have accounted for the bulk of such production in the past. The greater interest in specialized equipment is also reflected in Poland's current acquisitions from abroad. In this area Polish efforts appear to concentrate on finding permanent partners willing to conclude long-term industrial cooperation agreements.

Trade opportunities

The most rapid rates of growth planned are over 15 percent for the electro-mechanical industry, nearly 14 percent for the chemical industry, and nearly 12 percent for light industry. Other industries slated to expand the variety of products available include automation equipment by 30 percent, electronics by over 20 percent, technological equipment by about 20 percent, food concentrates by 32 percent, and furniture by 17 percent.

In the area of complete plants and industrial installations, Poland is interested in obtaining technology, design, and equipment for manufacture of color television tubes; a large pulp and paper mill; a plant for production of household heating equipment; a plant for production of milk nutrients; several plants for production and packaging of such items as breakfast cereals, fruit concentrates, vegetables, and potato chips.

Romania

Trade Growth Expected, But At Moderated Rate

Trade statistics for the first quarter of 1974 show continued increases in U.S.-Romanian trade, Mona F. Levine of the Bureau of East-West Trade reports. U.S. exports to Romania doubled over the same period last year and U.S. imports from Romania increased almost fourfold.

A portion of the $88.5 million worth of U.S. exports reflect contracts signed during 1973 but delivered during 1974. The $58.9 million import figure was the result of a concerted effort on the part of Romania to lessen the bilateral trade deficit with the United States. Thus, bilateral trade can be expected to continue its growth, but at a more controlled rate, with a gradual diminishing of the U.S. trade surplus. Major agricultural exports in the first three months of 1974 were cotton ($30 million) and soybean products ($8 million). Aircraft and parts were the major non-agricultural exports ($16 million). Gasoline and fuel oils from Romania accounted for almost $15 million worth of imports.

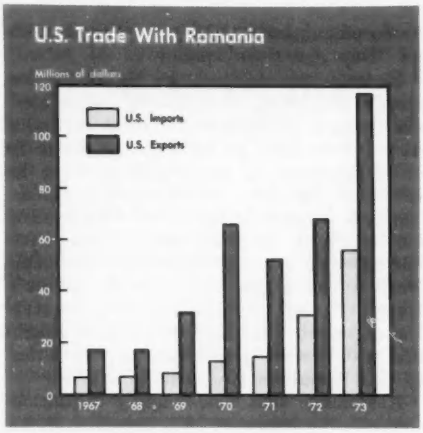
The level of agricultural exports to Romania will seriously affect the level of bilateral trade. Drought conditions in Romania in the early spring have resulted in serious shortages of agricultural commodities, particularly feed grains. The ability of U.S. exporters to meet Romanian needs will depend on both the U.S. supply situation and world market conditions.

U.S. exports to Romania, which totaled $116.6 million in 1973, should approach $200 million in 1974. In addition to the major U.S. agricultural and raw material exports of soybean products, cattle hides, and cotton, corn, coal, woodpulp and barley in 1973, manufactured exports were also substantial. Air and gas compressors, tin plate and sheet, nonelectric machinery, pesticides, lifting and loading equipment and computers composed the bulk of these exports.

A breakdown of the $55.7 million worth of U.S. imports from Romania reveals canned cooked pork and hams, gasoline and distillate fuels, footwear, clothing, agricultural tractors, glass and glassware and iron and steel plates and sheets to be the major imported commodities last year.

Trade group meets

Bilateral trade between the two countries should benefit from the efforts of the Romanian-American Economic Commission. Established during President Ceausescu's visit in December, the Commission held its first session April 12-13 in Bucharest. Secretary of Commerce Dent headed the American delegation and Deputy Prime Minister Ion Patan served as Chairman for the Romanian side.



The Commission agreed that a bilateral trade level of $1 billion by 1980 is a realistic goal. General topics under discussion in the bilateral forum included joint venture and industrial cooperation regulations and possibilities, facilitation of business activities, including the creation of normal business conditions, and methods of increasing trade. The U.S. side again reaffirmed its commitment to seek Most-Favored-Nation status for Romania. In addition to heading the U.S. delegation, Secretary Dent met with President Nicolae Ceausescu as well as other Romanian leaders.

This year also witnessed the first session of the U.S.-Romanian Economic Council (sponsored by the U.S. and Romanian Chambers of Commerce) in May.

Specific areas

Specific areas mentioned during the Commission's discussion of cooperative arrangements between the U.S. and Romanian firms include heavy machinery, machine tools, electronics and electrical engineering, and chemical industries. The emphasis placed on these fields reflects the Romanian goal of rapid industrial development. The 1971-75 Development Plan stressed this policy and efforts to reach the plan goals in 4-1/2 instead of 5 years reemphasize it. In 1973 production was increased substantially in the passenger car, agricultural machinery, machine tool and food processing industries.

In line with Romanian emphasis in these areas, the Department of Commerce plans several trade promotion events in the coming months. In October, Commerce will sponsor the participation of U.S. firms in the industrial process, instrumentation and controls field at the Bucharest International Fair. Technical sales seminars are planned in telecommunications in September, vacuum and cryogenic equipment in December, and water purification and desalinization equipment in February. Several trade missions also are planned in various product areas in the near future.

USSR

Promising Growth Seen, After Limited Slowdown

United States-USSR trade turnover in 1974 is expected to approximate the 1973 record level, according to Andrew Elias of the Bureau of East-West Trade, but last year's $1 billion surplus with the USSR may be cut in half. U.S. imports from the Soviet Union are likely to double this year. The value of U.S. exports may drop by as much as one-third, however, due to a rapid decrease in agricultural shipments which is expected to be only partly offset by rising sales of manufactured products. Beyond 1974, prospects for U.S.-Soviet trade look encouraging, with the United States continuing to maintain a substantial favorable balance for some time to come.

Final figures for 1973 show that U.S.-USSR trade turnover in that year ($1,405.1 million, excluding U.S. imports of industrial gold) more than doubled that in 1972 which, in its turn, tripled the 1971 level. Based on the data for the first four months of this year, the trade flow of 6:1 in our favor in 1973 is expected to change to a less one-sided 2:1 ratio in 1974 for a total volume of $1.2 to $1.4 billion.

The anticipated temporary slowdown in U.S. exports to the Soviet Union appears to be a result of a natural adjustment in the composition of U.S. shipments, brought about essentially by emergency buying of great volumes of wheat, corn, and soybeans on the part of the USSR. The proportion of manufactured products in total U.S. exports to the USSR is projected to rise from under 25 percent in 1973 to over 40 percent in 1974. Deliveries of automotive manufacturing equipment for the Kama River project alone are expected to reach over $200 million by the end of the year.

Important factors for the continuing expansion of bilateral U.S.-USSR trade are the availability of Eximbank credits and the extension of MFN treatment to the Soviet Union. As long as the USSR suffers substantial deficits in its trade with the United States, Eximbank credits are essential to the implementation of most major projects worked out between American firms and Soviet agencies. This is particularly true of such huge deals as the one concluded between the Soviets and Occidental Petroleum Co. and its associates for construction of a fertilizer complex of ammonia plants, for which an Eximbank credit of $180 million has recently been approved. Soviet orders for U.S. equipment, material, and services stemming from this deal may be in excess of $400 million.

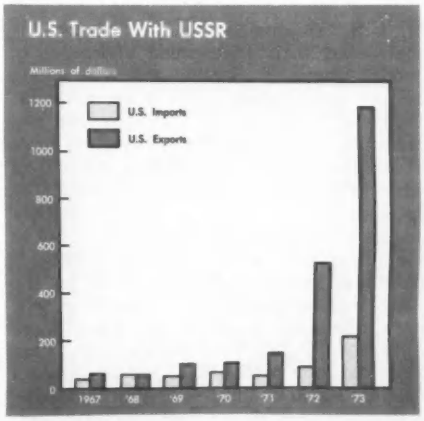
Present U.S. imports from the USSR are heavily weighted toward commodities which are either duty free or for which the differences between the MFN and statutory rates are insignificant. This is due in large measure to the high U.S. demand for certain raw materials and semi-manufactures which are or may become short supply items here, such as petroleum and petroleum products, metalliferous ores, and non-ferrous metals. Furthermore, the lack of MFN treatment accorded to the USSR contributes to the non-competitiveness of many Soviet manufactured products in the U.S. market.

Aside from our large grain sales, brought about by the critical shortage in the buyer's economy rather than by marketing efforts of the seller, most U.S. shipments to the USSR could be classified as falling into the general categories of automotive manufacturing equipment and construction machinery and parts. Ambitious Soviet construction projects, including the Kama truck complex and Siberian infrastructure development, created important markets for a variety of U.S. products. Among these are lifting, loading and handling machines; track-laying tractors; foundry equipment and other products of the machine building industry; oil well and field pumps; gas compressors; conveyers; and gas turbines. Soviet construction projects incorporated in the next five year plan (1976-1980) promise continued large sales opportunities for U.S. products.

Promotional events

The U.S. Department of Commerce, in close cooperation with the National Machine Tool Builders Association, organized a commercial exhibition, "Stanki-'74," in Moscow's Sokolniki Park, April 10-19. Eighty-three U.S. companies displayed their machine tool products. Floor sales reached close to $20 million and follow-up sales for the next 12 months are projected at almost $100 million.

Another recent successful trade promotion event in Moscow was U.S. participation in the Soviet international exhibit "Zdravookhraneniye (Health)—'74," which displayed goods and services related to health care from 23 foreign countries. In September, Commerce is sponsoring an exhibit at the "Polymery-'74" show.



Demand High In Far East Amid New Uncertainties

Inflation, Energy Crisis, Shortages May Cut Growth

Inflationary pressures, price effects of the energy crisis and worldwide shortages could be reflected in a slower rate of economic growth for most of the Far East countries. Despite these uncertainties, American exports to the region are expected by Ann P. Brosnan of the Bureau of International Commerce to increase and reach more than $22 billion in 1974, with Japan accounting for about $11 billion.

The trade outlook in the area continues to be characterized by high import demand and a marked increase in foreign exchange availabilities. Following 1973's year of unprecedented economic growth, the prospect for continuation of this boom is constrained by such considerations as world oil shortages, with the exceptions of Indonesia and Malaysia (petroleum exporting countries).

Nevertheless, demand for U.S. exports in 1974 should remain strong, at least in value terms. There is a high regard for the quality of U.S. products. The strengthened U.S. competitive position brought about in part by the dollar devaluations should continue if U.S. export prices hold.

There will be an increased volume in sales but registered gains for the most part will reflect higher U.S. prices. While U.S. export values grew 63.3 percent in 1973 over 1972, this year should show a 42 percent increase in U.S. sales to total an estimated $22.5 billion. In volume terms, the growth of exports will be moderate.

This forecast is based on an overall view of the economies of 14 Far Eastern countries, taking into consideration such problems as resources, international monetary instabilities and inflation. In the articles that follow, individual trade outlooks are presented which illustrate the above trends for selected countries in the area.

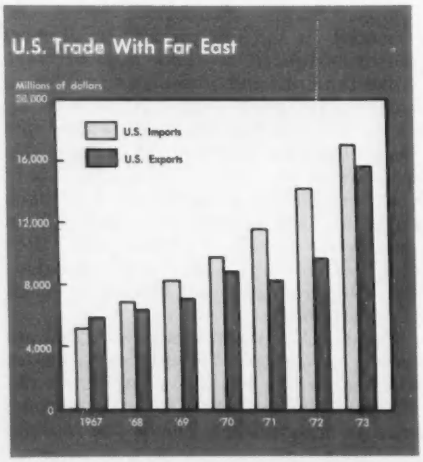
Japan, which accounts for more than half of U.S. shipments to the region, is confronted with widespread shortages of goods. Domestic demand remains strong despite government policies of restraint. Dependent on imports of energy and raw materials, this country is affected by price increases in these commodities more than other highly industrialized economies. The Japanese Government's tight monetary and fiscal policies are beginning to be felt in some segments of the economy. Although consumer spending declined early in the year, it is expected that spending will accelerate before year end due to high wage increases. No deliberate import controls are expected, but overall demand for imports should slacken until internal economic conditions complete their readjustment.

Prospects for exporting to Japan in 1974 remain favorable. Rising wages, material costs, and shortages of labor and industrial sites, coupled with the increased competitiveness of U.S. products resulting from past currency realignments, tend to increase significantly the potential for U.S. exports. Other countries in the area, especially Korea and Taiwan, are facing similiar economic pressures.

U.S. exports to Australia, the second largest U.S. market in the Far East, scored an impressive 72 percent gain in 1973 over 1972, reaching record levels. However, prominent among U.S. exports were 24 F-111 fighter bomber aircraft valued at approximately $240 million, which abnormally raised totals for the year. Although the economic outlook for the next six months is subject to two major influences—domestic inflation and the oil crisis—U.S. export prospects are still good, shipping and supplies permitting. Several revaluations of the Australian dollar, coupled with the elimination of British preferences, will greatly improve the competitive position of U.S. products. U.S. export sales to Australia of $2.1 billion are projected for 1974.

'Buy American' policy

In the emergent markets, shipments to East and South Asia in 1973 were buoyed by greater sales of American aircraft, chemicals, electronic components, wheat and cotton. Taiwan continues to hold the spotlight, with U.S. exports increasing 75 percent in 1973, exceeding $950 million (Taiwan's figures) and a 25 percent share of the market. Another sharp increase is anticipated in 1974, due to the Republic of China's continued encouragement of procurement from the United States with its "Buy American" policy.



Korea's imports from the United States remain promising despite an anticipated slowdown in the economy in 1974. Korea, a $1.2 billion market for U.S. products in 1973, projected a 33 percent increase in 1974 for U.S. sales to Korea. U.S. goods continue to be competitive and the Korean Government is still encouraging its businessmen to buy American products. Despite the higher cost of oil, Korea's Heavy and Chemical Industry Development Plan is being maintained; this should offer substantial opportunities to U.S. suppliers of capital goods.

Assuming that the supply situation continues to improve, 1974 promises to be an even better year for U.S. exports to Hong Kong. The United States enjoyed its best export performance in this market last year when sales rose by 56 percent to reach $720 million; for the first time in a decade, the U.S. trade deficit with Hong Kong decreased. The largest increases in U.S. sales were registered in grains, textile fibers, electronic components and diamonds.

The Hong Kong Government is seriously concerned with the problem of inflation. Although controls are anathema to the Colony's traditional laissez-faire policy, the government is prepared to depart from this stand if necessary.

Excellent possibilities

Singapore, the most important petroleum refining center in Asia, continues to expand. GNP grew by 11 percent in 1973 and a 10 percent annual growth rate is anticipated over the next few years. As Singapore is a trading city, the service sector continues to dominate its economy, but manufacturing is increasing in importance. U.S. exports to Singapore totaled $684 million in 1973, accounting for 15 percent of the market. U.S. products are competitive. Rising prosperity, coupled with development of capital intensive industry, brightens prospects. A 45 percent upswing in American exports is expected for 1974.

While U.S. exports to Indonesia in 1973 registered $442 million, expectations for 1974 indicate an increase of one-third to some $600 million. Indonesia's self-financing capabilities have improved greatly through the recent increase in export receipts, primarily from oil. This development, combined with greater competitiveness of U.S. goods, increased lending by the Export-Import Bank and continued U.S. aid and investment assure stable growth in this rapiding expandly economy.

The Philippines achieved steady economic growth and an unprecedented level of foreign exchange earnings in 1973. The worldwide commodity boom, especially in sugar, coconut oil, timber and copper, contributed to a 57 percent increase in exports and an economic growth of 8

percent. U.S. exports through the first quarter of 1974 were running some 76 percent higher than in 1973. Termination of the Laurel-Langley parity period on July 3 will require adjustment by U.S. firms, with many aspects of the changes to be spelled out in U.S. and Philippine negotiations.

Although future Philippine trade patterns will be affected by uncertainties of energy prices and other world market prices and monetary trends, the Philippines should continue to provide attractive trade and investment opportunities for U.S. exporters and investors.

New Zealand and Thailand, as well as the remainder of the Far Eastern countries, are of economic importance to the region but account for a more modest portion of total U.S. trade and investment. Combined projections for purchases of U.S. products during 1974 by New Zealand, Thailand, Malaysia, and Indo-China could add another $1.6 billion, to increase the total to the Far East to approximately $22 billion.

Overseas sales promoted

To assist U.S. firms that are new to market or new to export in penetrating the Far Eastern markets, Commerce has accelerated its export promotion program. Various trade promotion activities directed to the region include trade missions, catalog shows, in-store promotions, joint export establishment promotions (JEEPs) and technical sales seminars.

The latter is a new program of seminars sponsored by the Department of Commerce as specialized export promotion events. These events are aimed at high technology markets such as telecommunications and air traffic control. The first such seminar for the Far East is scheduled for November and will be held in Thailand, Malaysia and Indonesia. A team consisting of seven representatives of U.S. companies will offer a series of technical presentations to overseas executives in particular areas regarding what products and services are likely to be available in the next few years. Papers presented by team members are of a pragmatic, problem-solving orientation rather than academic treatises. Particular emphasis is placed on developing markets, where introduction of a broader range of U.S. technical know-how and products is possible.

The Far East programs are being aimed at emergent markets. In FY 75 there are 21 scheduled promotional events including 11 Trade Center shows, one international fair, three technical sales seminars and six catalog shows. By FY 76, plans call for 51 events including nine Trade Center shows, eight technical sales seminars and five trade missions.

Two Trade Centers opened in Asia this spring, in Taipei and Seoul, adding to those already established in Tokyo, Sydney and Singapore. Commerce's Office of International Marketing forecasts major opportunities for sales of U.S. goods in this region.

Australia

Boom May Be Peaking, But Import Call Is Strong

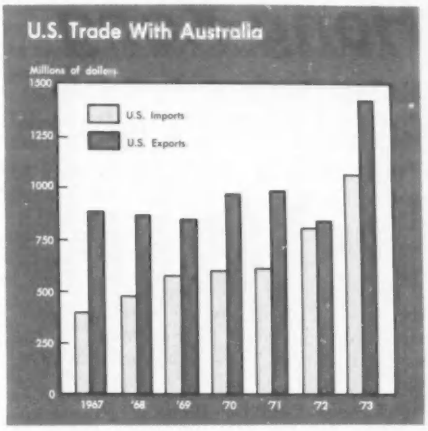
Although the current Australian economic boom may be reaching a peak, many indicators point to excellent prospects for continued strong growth of imports. In the first quarter of this year, notes Nancy H. Keely of the Bureau of International Commerce, U.S. exports have increased by more than 90 percent above the level for the same period of 1973.

High and rising income levels, accompanied by mounting consumer demand, the many factories already operating at near or full capacity, labor shortages, tariff reductions, and currency revaluations all combine to indicate a bright future for U.S. exports to Australia. During about the last 18 months, currency fluctuations have raised the value of the Australian dollar from US$1.19 to US$1.49, thus reducing the landed price in Australia of all U.S. products and greatly increasing U.S. competitiveness. Additionally, provided that similar goods are unavailable locally, many U.S. products may be imported into Australia duty-free under "by-law" procedures.

Although lowered protective tariffs and loss of export markets due to the revalued Australian dollar have caused Australian manufacturers consternation, the booming economy has sustained production and employment. Therefore, a significant reversal of the currently liberalized import policy seems unlikely, unless a combination of further increases in imports and a marked decline in Australia's booming exports threatens to induce significant industrial unemployment or a prolonged decline of foreign reserves.

Australian foreign exchange reserves at the end of 1973 totaled $6.1 billion, close to the record $6.2 billion of January 1973. During the early months of 1974, Australia's world imports rose more than 50 percent (in U.S. dollars) over the corresponding 1973 level. With an expectation for very little immediate easing of the labor shortage, and the recent 13 percent increase in the male minimum wage, the high demand for imports is expected to continue through at least the remainder of 1974 with, perhaps, a later dampening of consumer demand due to tighter monetary policies.

Inflation remains acute (about 13 percent for 1973). Nonetheless, real economic growth for fiscal 1974 is expected to reach 6 percent. A slowing of the economy is, however, expected by some observers, due to the government's tighter monetary policies and to slowing world economic conditions. Indication of a possible deceleration can be seen in the declining number of building approvals issued for private dwellings.



The Australian Labor Party has remained in power after one of the closest fought federal elections in recent years. The Prime Minister has announced that ALP will press forward on its unfinished economic agenda, despite the Party's reduced parliamentary margin.

Foreign direct investment in Australia exceeds $13.3 billion, of which about $5.2 billion represents the U.S. share. U.S. investment activity is centered in the automotive, chemical, and food processing sectors, with mining, oil refining and cattle breeding gaining in importance. It is generally expected that the Australian investment climate will be less favorable than in the 1960's. The government is currently screening foreign takeover bids and reviewing, more restrictively, foreign investment in certain sectors, especially with regard to minerals. Presently, new investments in real estate and finance are generally not permitted. Nonetheless, the level of development demanded by the economy will require considerable infusions of capital, management, and technology.

Since 1967 the United States has been Australia's leading supplier, with about a 21 percent share of the import market. Capital goods, a wide range of consumer goods, industrial raw materials and supplies (the traditional principal U.S. exports to Australia) should continue to do well in the foreseeable future, despite present shipping difficulties. Specific product fields which offer especially attractive prospects include: building materials (including lumber and hardware); chemicals; plastic raw materials; agricultural machinery; materials handling, packaging, and printing equipment; and machine tools.

Effort spent at this time by U.S. exporters to penetrate and further develop their position in the Australian market should pay high dividends in the coming decade.

The U.S. Trade Center in Sydney provides assistance in sales efforts through exhibits featuring specific product lines, as well as individual promotions tailored to a particular firm.

Hong Kong

Sales Outlook Is Bright; Crucial Factor Is Inflation

U.S. exports to Hong Kong scored a 56 percent advance in 1973 to reach $720 million, as the effects of the U.S. devaluation took hold. Prospects for U.S. exports in 1974, as seen by Harry Stringer of the Bureau of International Commerce, are better than in several previous years, assuming continued improvement in the supply situation. The crucial factor in 1974, adds Stringer, is inflation and how the Hong Kong economy reacts to it.

Hong Kong's 1973 economic statistics are impressive. National income rose more than 17 percent in current prices and 6 percent in constant prices; per capita gross national product is in the range of $1,300. Domestic exports rose 28 percent and re-exports by 57 percent. Registered industrial employment reached a new record of 627,000 and tourist arrivals increased 19 percent to 1,291,950.

Rice is costly

Inflation continues to be serious (the price index rose by 7.6 percent in the first two months of 1974) and raw material supplies are spotty in some sectors. The consumer price index increased 19 percent in 1973—the chief factor was food, which rose 25 percent. The price of rice increased 80 percent during 1973, and by a further 30 percent during the first three months of 1974. Raw cotton increased to almost $1 a pound and plastic raw materials rose by 30-40 percent. In the construction industry, the price of cement went up by 30 percent and steel bars by 36 percent.

The Hong Kong Government is seriously concerned with the problem of inflation and is prepared to depart from its traditional laissez-faire stance. One such departure has led to modification of the Colony's land sale policy in order to attract medium and high technology industrial investments. A number of U.S. companies have moved to Hong Kong to take advantage of these new policies and produce for expanding Southeast Asian markets. The Colony offers several attractions for investors—location, shipping and communications facilities, absence of tariffs, low taxation, and policies which interfere minimally with business.

Colony imports in 1973 totaled $5.6 billion—an increase of 33 percent over the value of 1972 imports. Imports from the United States rose by 56 percent in U. S. dollar terms and the U.S. market share increased to 12.8 percent.

The largest increases in U.S. sales were registered in grain, textile fibers, electronic components, diamonds, and agricultural products. Sales of grain products increased by $35 million, while sales of raw cotton totaled $40 million. Sales of unset diamonds rose by one-third and sales of plastic materials (polystyrene, polyester, PVC, and polyethelene) increased to $38 million.

The 1973 shortages demonstrated the advantages of dependable suppliers; with consistent pricing and regular deliveries, U.S. suppliers can obtain an even larger market share.

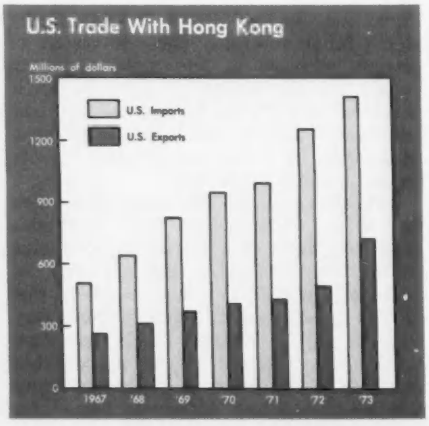
Other U.S. products with good prospects in 1974 are: textile machinery and printing and graphic arts equipment; construction supplies and equipment; food processing and packaging equipment; radio and television surveillance equipment; paper products; hotel supplies; and materials handling equipment. With the government's extensive public works program, there is an excellent opportunity for U.S. firms to market services, particularly in the areas of engineering and design.

The October 1973 American Fortnight, which promoted U.S. consumer goods, generated $10 million in incremental sales prospects and subsequent sales have been sustained at a high level. The Fortnight awakened the interest of many U.S. exporters in Hong Kong's market.

In 1973, Hong Kong's estimated balance of payments deficit exceeded $500 million, compared with a $50 million surplus in 1972. Part of this imbalance stems from a trade deficit which rose to more than $200 million.

The pull of very high Eurodollar and sterling interest rates through much of 1973 as compared to local interest rates was a contributing factor. The outlook is for cautious lending policies until either an upsurge in export orders or an inflow of capital improves the banks' basic lending capacity. Official and bank exchange reserves are estimated to exceed $2 billion.

Trade promotion activities for the remainder of 1974 will include a printing and graphic arts catalog show sponsored by the Department of Commerce. Later in the year an incoming trade mission covering printing and graphic arts, sponsored by the Hong Kong Trade Development Council, will arrive in the United States.



Indonesia

Improved Financial Status Enhances Sales Prospects

The rapid expansion of U.S. exports to Indonesia achieved in 1973, when exports of $442 million were 44 percent higher than in the preceding year, is likely to continue in 1974. Business confidence in growing sales opportunities is bolstered by the dramatic increase in the country's export receipts, primarily from oil, which have expanded greatly Indonesia's self-financing capabilities.

Other factors cited by M. Virginia Webbert of the Bureau of International Commerce as contributing to the very favorable trade outlook are development of major projects under the Second Five-year Development Plan, which will create new trade and investment opportunities; greater competitiveness of U.S. products; increased availability of loans from the U.S. Export-Import Bank and international lending agencies; and continuing U.S. aid and investment.

The striking improvement in Indonesia's balance of payments position is reflected by the rapid growth of its foreign exchange reserves—net reserves were $930 million at year-end 1973/74 (Indonesian fiscal year ending March 31) compared to less than $50 million three years ago—and the anticipated further rise by well over $900 million in FY 1974/75. Total non-oil imports increased by about 80 percent in FY 1973/74 and should grow by another 48 percent in FY 1974/75 to $3.9 billion.

Although gross export earnings in FY 1974/75 are expected to more than double, compared with the preceding year, Indonesia continues to require foreign assistance, although some will be provided on less soft terms. Aid pledges for FY 1974/75 through the Inter-Governmental Group for Indonesia (IGGI — 12 donor countries and international lending agencies) will be around $900 million, and Japan is providing additional untied loans for energy-related projects. Direct foreign investment is estimated at over $500 million in FY 1974/75.

Indonesia's Second Five-Year Development Plan, initiated April 1, aims to raise real income, insure more equitable distribution of benefits from development, and lay a stronger foundation for further economic growth. Gross domestic product is expected to rise from 7 percent annually to 7.5 percent.

Imports needed for major investment projects valued at $8 billion in the next five years will create many sales opportunities for U.S. exporters—especially machinery and equipment for production of minerals (including oil and gas field equipment), petrochemicals, fertilizers, steel and cement. Other major projects, financed

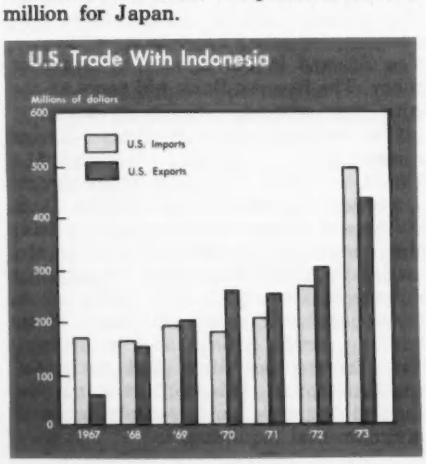
through Indonesia's greatly increased foreign exchange resources and concessionary aid—in transportation, telecommunications, electric power, wood processing, sugar, and housing—will create additional opportunities.

In 1973, U.S. exports to Indonesia of $442 million included $126 million in machinery exports, 53 percent higher than in the preceding year (construction and mining machinery, $30 million; electric power machinery, $16 million; and pumps and centrifuges, $16 million). Transport equipment totaled $36 million. Agricultural commodities—wheat, raw cotton and rice—comprised most of the remainder.

Based on Indonesian statistics, the U.S. share of the Indonesian market rose from 15 percent in 1972 to 19 percent in the first half of 1973. U.S. imports of $499 million from Indonesia in 1973 were 80 percent higher than in 1972 due to a more than doubling in value of both crude petroleum imports and crude rubber.

The United States held a very successful exhibition of construction and agricultural machinery and building products in Jakarta in April, which chalked up actual and projected twelve-month sales of $51 million.

Indonesia still welcomes foreign investment, counts on substantial investment capital to implement its economic plan, and approved new non-oil sector projects valued at $500 million in the first quarter of 1974 (a total of $2.9 billion since 1967). Uncertainties regarding new foreign investment restrictions announced in January, however, designed to give a greater role to ethnic Indonesians, have created clouds in the foreign investment picture. Investment in logging has recently been closed to new foreign investors. Although the United States is still the largest foreign investor in Indonesia, with an investment stake estimated at $1.7 billion, U.S. investment applications have been declining except in the minerals sector, while those of Japan are rising rapidly. Approved U.S. investment contracts in non-oil sectors as of March 31 totaled $480 million, compared with $803 million for Japan.



Japan

Prospects Still Favorable For Variety Of Products

U.S. exports to Japan have benefited from strong Japanese demand, favorable effects of exchange realignments, rising affluence of the Japanese, growing shortages of industrial and consumer products, and lower tariffs. Prospects for U.S. exports to Japan remain favorable for a variety of industrial products.

Tatsuo A. Miyakawa of the Bureau of International Commerce reminds U.S. businessmen, however, that Japan's economy, currently suffering from the worst effects of last year's oil crisis, is in its deepest slump in 20 years. Despite this slowdown, the continuing price spiral is the dominant problem; wholesale and consumer prices continued their unbroken climb in the first quarter of this year, rising 37 percent and 24 percent, respectively, over a year ago.

The government, through its tight monetary and fiscal policies, has been holding down the economy and the effects are beginning to be felt in some industrial segments. Output of the major industries, including automobile, color television sets, and textiles, is already curtailed, with the possibility that the steel industry will follow.

Business confidence, which suffered a severe shock following the oil embargo, still has not recovered. The unsettled economic situation resulting from the high cost of energy, unabated inflation, tight money leading to economic slowdown, increasing bankruptcies, and prospects of non-competitiveness in world markets, plagues Japanese industrialists.

Prospects remain dull

The short-term outlook under these conditions is cloudy. Consumer spending, private construction, and expenditures for public works are down, but business failures are up nearly 50 percent over a year ago. Real GNP for January-March 1974 declined 5 percent, the largest drop since 1955. Little or no growth is seen for the second quarter. Barring an unexpected recovery, therefore, real growth will fall considerably short of the usual annual 9-10 percent rate and may only match the Economic Planning Agency's forecast of a 2.5 percent growth. Since increases in money wages and other incomes are less affected, however, nominal GNP could show another substantial gain of perhaps 20 percent, slightly less than the 24.5 percent for 1973. By comparison, the 1973 nominal GNP grew the fastest ever, expanding to $416 billion, while real GNP grew 11 percent.

U.S. exports to Japan in 1973 rose 68 percent to $8.3 billion. However, since Japan's total imports increased by 70 percent, the U.S. market share continued its nearly unbroken downward trend to 24.2 percent.

Despite this loss in market share, the U.S.-Japan bilateral trade deficit declined steadily during 1973 to $1.3 billion, and for the first quarter of this year there was a $300 million U.S. surplus.

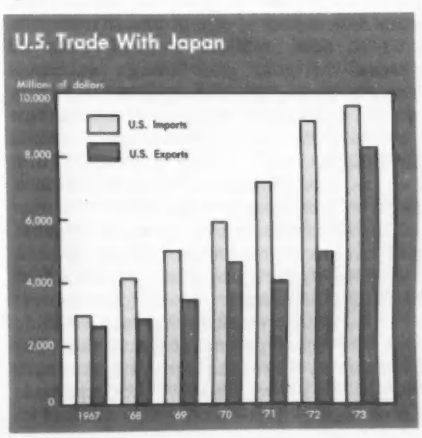
Principal U.S. exports continue to be agricultural and forestry products, with logs and lumber, soybeans, corn, and wheat shipments valued at $2.6 billion. Sales of soybeans, subject to U.S. export controls for a short time, nearly doubled in value to $716 million, reflecting a substantial U.S. price rise. Industrial products, primarily machinery and chemicals, accounted for an additional $1.8 billion, while aircraft added another $207 million.

Best sales prospects for U.S. manufacturers include such varied categories as anti-pollution equipment, sporting and leisure time equipment, textiles, apparel, power generating equipment, and data communications equipment.

In December 1973, the Japan Tariff Council submitted to the Cabinet a tariff reduction recommendation covering 105 items, 30 items to fight inflation, 66 to simplify tariff procedures, and nine items reducing only the preferential tariffs. The Council also recommended allowing the government to reduce or exempt from duties a wider range of items, i.e., items in addition to rice, barley, wheat, pork, and sugar.

After five years of surpluses, Japan's balance of payments turned sharply into a $10 billion deficit last year and will probably be in substantial deficit again this year.

The Japanese are predicting a trade surplus of about $4-5 billion, a current account in equilibrium, and a long-term capital outflow of $4-6 billion. However, for the first quarter of this year, Japan's trade deficit totaled $1.9 billion and the balance of payments deficit $4.2 billion. Its reserve position, consequently, fell to about $12 billion from the $18 billion level of a year ago.



Korea

Growing Economy Now Billion Dollar U.S. Market

The outlook for U.S. sales to Korea remains promising, reports Carol A. Murray of the Bureau of International Commerce. Despite an anticipated slowdown in the Korean economy in 1974, Korea is a billion dollar market for U.S. exports. U.S. exports to Korea, which grew by 69 percent during 1973, are projected to increase by 33 percent in 1974, maintaining the 28.3 percent market share attained in 1973.

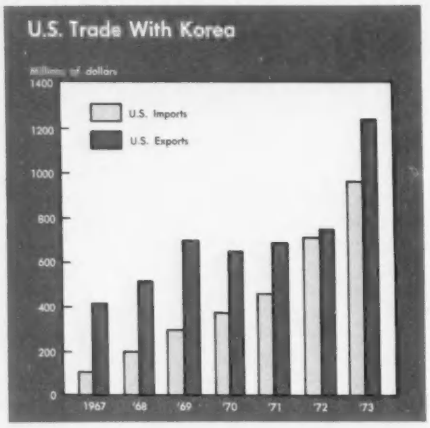
U.S. exports should be able to maintain their share of the Korean market for several reasons. The ambitious 1981 targets for the $14 billion heavy and chemical industry development plan are still being maintained despite the higher costs of oil, and continue to offer substantial opportunities to U.S. suppliers of capital goods, services and raw materials, as well as investors. U.S. goods continue to be competitive vis-a-vis Japan since the February 1973 currency realignment. The Korean Government is still encouraging its businessmen to buy American products. Also, activities of the new U.S. Trade Center in Seoul should benefit U.S. sales.

Record expansion

The Korean economy expanded at a record rate in 1973. Due to dramatic export expansion and a domestic investment boom, GNP grew by 16.9 percent in real terms to reach $9.7 billion. An anticipated drop in real export growth from 57 percent in 1973 to 12 percent in 1974 and the general uncertainties of the economic climate in the face of raw material shortages and inflation have led the Korean Government to estimate 1974 real GNP growth at 8 percent. Development plans call for a 9 percent average annual increase from 1972-1976 and 11 percent from 1977-1981.

The record export gains of 1973 enabled Korea to reduce its chronic merchandise trade deficit from a high of $1,046 million in 1971 to $551 million in 1973, with an increase in gold and foreign exchange reserves to $1,034 million. Due mainly to increased prices for crude oil and other raw materials, the merchandise trade deficit is expected to reach $1,112 million in 1974. Due to its improved creditworthiness, however, Korea expects to borrow sufficient funds to maintain or even increase its gross gold and foreign exchange holdings in 1974.

In 1973 Korea's imports were valued at $4.2 billion, an increase of 69.6 percent over 1972. Japan remains Korea's leading supplier with 40 percent of the market. The U.S. market share rose from 25.7 percent in 1972 to 28.3 percent in 1973. U.S. exports to Korea topped the billion dollar mark ($1.2 billion) for the first time in 1973, making Korea the 13th largest market for U.S. goods.



Chief U.S. exports to Korea are: foodgrains, aircraft, raw cotton, electronic components, nonelectrical machinery, and ferrous scrap. In 1974 Korean imports are expected to grow by 46 percent to $5.6 billion. With a larger share of imports (over 50 percent) going for needed raw materials, particularly petroleum, competition to sell manufactured goods to Korea will be severe.

Good opportunities exist for sales of machinery, equipment, services, and raw materials to the heavy and chemical industry sectors and to other industries contributing to Korea's export capacity. Best sales prospects include: textile machinery, metalworking machinery, heating and cooling equipment, mechanical handling equipment, instrumentation, construction and mining equipment, communication and radio navigation equipment, computers and business equipment, and industrial raw materials. Aggressive sales efforts, locating a good agent and good financing terms should result in high sales.

Upcoming U.S. trade promotion activities in Korea include catalog shows on pollution control equipment and metalworking equipment and a trade mission featuring industrial heating and cooling equipment. The new U.S. Trade Center which opened in Seoul in March offers exhibition and seminar facilities throughout the year to American companies wishing to promote their products. Interested U.S. firms should contact the Commercial Attache, American Embassy, Seoul, Korea.

The investment outlook is still favorable, but investors can expect a closer relationship with government plans and offices than prevailed in earlier years. The Korean Government is actively encouraging U.S. investment in Korea, particularly in support of its heavy and chemical industry development plan, for which 60 percent of the required capital is to come from abroad.

New Zealand

New Gains Seen For U.S. After 83 Percent Rise

During the coming months, New Zealand's imports are expected by Nancy H. Keely of the Bureau of International Commerce to continue mounting, but at a decelerating rate. Last year, the country's imports increased by about 43 percent, while U.S. exports to New Zealand expanded by a record 83 percent.

New Zealand has a favorable balance of trade, but a slowing in the growth of exports and increased prices paid for imported oil are causing a balance of payments deficit.

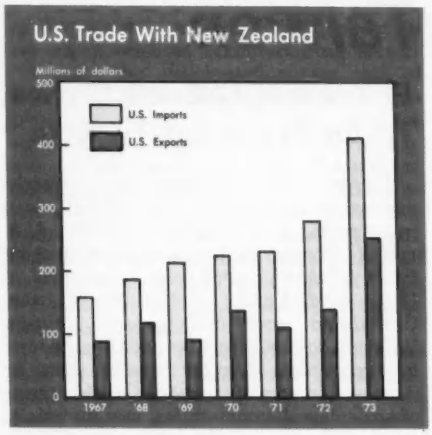
Inflation is currently estimated to be rising at an annual rate of 10 percent. Consumer prices, expected to increase 15 - 18 percent in 1974, and a general wage increase of 9 percent effective July 1, will likely contribute additional inflationary pressure. Strong consumer demand (19 percent higher in the third quarter of 1973, as compared with the corresponding 1972 quarter) is expected, however, to help support a high level of imports in coming months.

Despite inflation, GNP, estimated at $11.6 billion in 1973, increased 6 percent in constant terms. There is virtually no unemployment. Because of the possibility of increasing costs of and shortage in imported materials for New Zealand's industry, plus greater costs for petroleum and shipping, there may be some decrease in the rate of economic growth.

There have been some indications of a lessening of business confidence, due, in part, to a feeling that the government is susceptible to pressures of trade union and consumer groups in resolving industrial disputes and countering inflation.

The new Regulations on Foreign Investment became effective May 24. Promulgated under the Overseas Investment Act of 1973, the regulations will be administered by the Overseas Investment Commission, which will consider proposals for foreign investment in New Zealand in the light of government policy. The Reserve Bank will serve as the initial point of contact for foreign investors.

The book value of direct foreign investment (end of 1972) exceeded $1.6 billion, of which U.S. direct investment accounted for about $247 million. U.S. investment is most prominent in the fields of motor vehicle assembly, oil refining, tire production, chemicals, and food processing. Substantial scope for future U.S. investment will exist for those firms fulfilling certain criteria, such as utilizing New Zealand materials and personnel, providing opportunities for increasing New Zealand exports, and complying with environmental requirements.



The United States, New Zealand's third principal supplier after the United Kingdom and Australia, holds a 10 percent share of the New Zealand import market. The new Customs Tariff, effective July 1, provides for elimination of British Preferences over a four-year period, a development which should considerably strengthen the U.S. competitive position in New Zealand vis-a-vis the United Kingdom. Additional factors affecting the growth of U.S. exports hinge on the abilities of New Zealand to avoid balance of payments problems and the U.S. dollar to retain the advantage gained as a result of several currency revaluations.

Principal U.S. exports

Principal U.S. exports to New Zealand include aircraft and parts, internal combustion engines, textiles, chemicals, tobacco, motor vehicles and parts, and agricultural machinery. In addition to these traditional exports, the progressive industrialization of New Zealand is expected to provide exceptional opportunities for U.S. exporters of building materials, machinery, and factory equipment. These last categories are, of course, contingent, to a significant extent, on continued high levels of investment. However, in the event of a more stringent import licensing policy, balance of payments difficulty, or a decline in foreign reserves, investment activity would be influenced. The oil crisis should also provide additional opportunities for U.S. exporters by enabling them to participate in developing alternate methods for the generating of electricity in New Zealand. This situation, which is receiving priority attention by the government, is expected to provide added possibilities for exports of labor-saving machinery for extracting, handling, hauling and storing coal, as well as increased opportunities for exports of coal-burning industrial furnaces and stokers.

U.S. exporters are invited to use facilities offered by the United States Trade Center in Sydney, which services the New Zealand market.

Philippines

Economic, Import Activity To Keep Surging Forward

The Philippines achieved unprecedented economic growth in 1973, and overall exports increased 57 percent and imports 20 percent. John E. Walsh of the Bureau of International Commerce expects this upsurge in economic activity and imports to continue in 1974, with purchases from the United States outstripping the overall percentage rise by an appreciable margin.

Marked improvement in balance of payments, sharply increased public investment expenditures, and improvements generally in the foreign investment climate so highlighted Philippine economic performance during 1973 and through the first half of 1974 that more than just casual references are now being made to the "country of the next economic miracle."

Earnings from traditional exports benefited from both soaring world prices and increased output and contributed to the growth of exchange reserves to a record high level. This performance of exports far outpacing imports enabled the country to reverse a decade of trade deficits.

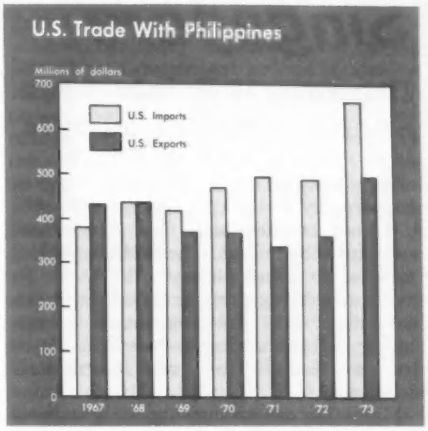
A significant new aspect of the trade pattern was the increase in nontraditional exports, reflecting the strategic change from import substitution to export promotion. Also significant for future growth was the new composition of imports, 90 percent of which were producer goods and semiprocessed and unprocessed raw materials, as well as machinery and equipment.

This year started off with some serious uncertainty regarding the impact of higher energy costs on growth and trade. Government economists, in a progressively less pessimistic mood, now cautiously predict a leveling off of export earnings during the year and an increase in import costs of over 50 percent, but with a sustained real GNP growth rate of around 10 percent.

As a result of growing international confidence in the health of the economy and in the ability of current Philippine officials to effectively manage it, the Philippine Central Bank with relative ease has been able to make arrangements for additional borrowing, if necessary, to cover "worst-case" developments in import price trends, particularly those related to energy costs.

Philippine imports increased 19.7 percent in 1973, to $1,597 million (f.o.b.). Imports from the United States increased 24.7 percent, to $449 million (Philippine figures), thereby increasing the U.S. share-of-market position to 28.1 percent.

Philippine exports in 1973 climbed to $1,837 million, up 57.2 percent, due both to increased output and to favorable world



prices. Philippine exports to the United States were $671.3 million, a decline in the U.S. share of the Philippine export market to 36.5 percent, slightly below that of Japan's for the first time.

Through this year's first four months, imports from the United States were running some 76 percent higher than in 1973 (when final results were up over 35 percent). American firms are now beginning to adjust to the post-Laurel-Langley parity period (which terminated July 3), with many aspects of the transition still to be spelled out in negotiations.

Despite the problems involved in the energy crisis and in other world market price and monetary trends, the Philippines' human and natural resources and improved investment climate should continue to provide attractive opportunities for U.S. exporters and investors.

Given improvements in the current payments situation, Philippine authorities have achieved a financial cushion which should enable them to give greater attention to liberalizing or eliminating existing restrictions on current payments for both imports and invisibles, to retain and possibly add to allocations of foreign exchange resources for development programs.

Excellent opportunities exist for incremental sales in heavy duty construction, earthmoving, and mining equipment, electricity generating and transmission equipment, logging and wood processing/packaging equipment, materials handling equipment, and metalworking and finishing machinery and equipment. In certain areas, such as the metalworking and construction industries, quality used/reconditioned machinery should also be in high demand.

To the extent that supplies in the United States are available, good opportunities should also exist for sales of chemical fertilizers, iron and steel products and raw materials for the plastics industry. Many of these items have been supplied by the Japanese in recent years, but problems with Japanese prices and deliveries are leading the Philippines to seek to diversify sources for such important commodities.

Singapore

Dramatic U.S. Increases Seen Continuing In 1974

U.S. exports to Singapore grew dramatically in 1973. Compared with 1972, U.S. exports increased by 78 percent, reaching $684 million. The outlook for U.S. exports to Singapore in 1974 is for continued strong growth, though at a rate somewhat below the phenomenal increase during 1973, according to Joseph E. Payne Jr. of the Bureau of International Commerce.

Major factors accounting for continued strong growth of U.S. exports to Singapore include Singapore's continued rapid economic growth and strong balance of payments position and the continued price competitiveness enjoyed by U.S. suppliers in the Singapore market. U.S. exports to Singapore are expected to increase by 45 percent in 1974.

Singapore's economy continued to perform very well in 1973. In spite of a rate of inflation that saw the cost of living index increase by nearly 23 percent over 1972, the GNP still increased by 11 percent in real terms.

This strong economic growth gave Singapore a per capita income level of $1,800, the second highest in Asia after Japan, and continues Singapore's rapid real growth rate that has averaged 10 percent per year since 1965.

Since Singapore is very dependent on imports of raw materials and commodities, worldwide commodity price increases are responsible for most of Singapore's inflation. Nevertheless, as workers confront continued higher prices for food and other basic necessities, demands for catch-up wage increases may grow.

In addition to the strong economic growth that is expected to stimulate increased demand for U.S. goods, Singapore's balance of payments position is healthy and should permit higher levels of imports. Singapore's balance of payments showed a $134 million surplus for 1973 and total foreign exchange reserves reached $2.292 billion.

The price competitiveness of many U.S. goods and services should also insure strong growth of U.S. exports to Singapore. The Singapore market is very sensitive to price differences because of the country's traditional role as a trading nation and entrepot center for Southeast Asia. In addition to the currency realignments that have resulted in U.S. exports becoming more competitive, the Singapore dollar has also appreciated in terms of the U.S. dollar until by June the exchange rate was approximately US$1=S$2.40. For 1972 the average exchange rate was US$1=S$2.79. As a result the relative cost of U.S. goods in Singapore has declined.

The United States now accounts for approximately 15 percent of Singapore's total import market of roughly $5.025 billion. This compares with a U.S. market share of only 8 percent in 1969.

Market expanding rapidly

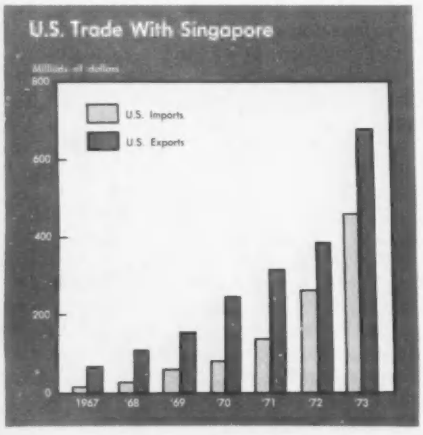
Singapore's Economic Development Board, which guides development and investments in Singapore, continues to emphasize capital intensive industrialization and is very selective about the investment projects it will approve. As a result, the market for U.S. capital goods is expanding rapidly. Best prospects for U.S. goods exist in the following areas: metalworking machinery and building and construction, EDP, pollution control, communications, process control, and business equipment.

The U.S. Regional Trade Center in Singapore promotes the sale of U.S. goods and services through a variety of techniques including exhibitions of products. Exhibitions of EDP equipment, electronics industry production and test equipment, home and office furnishings, medical equipment, and process industries equipment are scheduled through the rest of this year and into 1975.

Many U.S. companies have located in Singapore to take advantage of the excellent business climate and the transportation and communications facilities it offers in the Southeast Asia region.

There are also 24 U.S. banks with branches or representatives operating in Singapore at the present time. The Singapore Government's fiscal and monetary policies have been encouraging the establishment of banks as well as Singapore's development as a regional financial center.

U.S. investment now totals approximately $584 million, with roughly half of that amount in petroleum refining. Refining capacity has been expanding rapidly and by the end of 1974 Singapore will become the third largest refining complex in the world, with capacity of over one million barrels per day.



Taiwan

Economic Growth Slows; Trade Expected To Rise

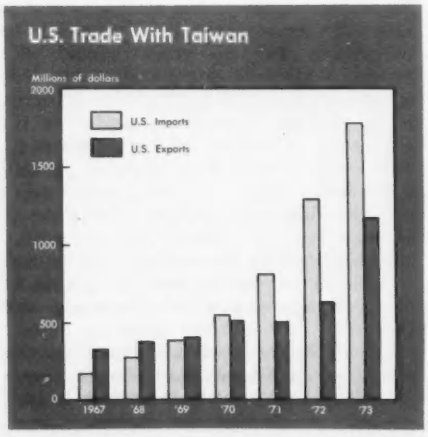
Government emphasis on industrial expansion, production for export, and investment in infrastructure offers U.S. manufacturers, suppliers, and contracting firms excellent opportunities for sales of U.S. goods and services in Taiwan. Continued economic growth, rising incomes, domestic business confidence, and foreign private investor interest point to increased imports this year of a wide range of agricultural commodities, raw materials, and capital equipment, according to Margaret A. Kelleher of the Bureau of International Commerce.

Taiwan figures show imports from the U.S. in 1973 exceeded $950 million and a 25 percent share of the market. Another sharp increase is expected in 1974. Purchases of both raw materials and manufactured goods from the United States should be up this year, reflecting the efforts of the Republic of China to reduce the imbalance in trade with the United States, and the improved price competitiveness of U.S. goods in the Taiwan market.

High levels of trade and investment in 1973 resulted in record growth for the Taiwan economy. According to Republic of China official statistics, exports reached $4,473 million, an increase of 50 percent over 1972. Imports were up 51 percent to $3,791 million. GNP increased 12.3 percent in real terms, an all-time high, to reach $9.4 billion. Industrial production increased 22.3 percent, while growth in the transportation sector was 15.6 percent.

A slower rate of economic growth of about 8 percent is projected for 1974, due to the price effects of the energy crisis as well as the impact of worldwide raw materials shortages.

Taiwan's industrial sector grew 13.2 percent in the first quarter of 1974 compared with 28.5 percent in the same



period last year. Industrial output was led by first-quarter growth of 14.6 percent in the export-oriented manufacturing sector.

Despite the anticipated slower rate of economic expansion this year, however, the growth potential is high for sales of sophisticated industrial, manufacturing, and research equipment, and design and engineering services, as well as industrial raw materials and food products. With a trade outlook of slower export growth, increased imports and a much larger oil import bill this year, the Republic of China is expected to register a trade deficit for the first time since 1969.

Prospects are particularly good for the sale of capital equipment to sustain industrialization and to supply and modernize the export-oriented manufacturing sector. Sales opportunities include electronics and telecommunications equipment, textile machinery, materials handling equipment, machine tools, construction and roadbuilding machinery, and steel mill equipment and materiel.

The outlook for increased sales of U.S. goods and services is especially good. Continuing the initiatives taken to encourage increased imports from the United States, the Republic of China sponsored an exhibition in Taipei in March at which 88 U.S. firms exhibited a wide variety of industrial machinery, construction equipment, and medical and scientific instrumentation.

The government is proceeding with nine major industrial and infrastructure projects over the next few years that will cost several billion dollars and which offer U.S. firms opportunities for sales of equipment and services. A number of American companies are already involved in several of these projects. The priorities include a new international airport, a major shipyard, a petrochemical complex, an integrated steel mill, port development, electrification of the railroad, completion of the west coast freeway, and expansion of power generation facilities.

The U.S. Department of Commerce opened a Trade Center in Taipei this spring. Designed to provide a wide range of services to the U.S. businessman interested in marketing his product in Taiwan, the Trade Center offers an ongoing program of trade promotion events which includes exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show promotions by individual firms. Upcoming events in Taipei will feature dockside and shipboard equipment in September, plastics production equipment in October, business equipment in November, and printing and graphic arts equipment in January.

Price is no longer the most important factor in selling U.S. products in Taiwan. In order to secure orders, however, American firms must be competitive, pursue the export opportunities aggressively, and pay considerable attention to financing, delivery, and after-sales service.

Thailand

Imports, Economy Grow Despite Uncertainties

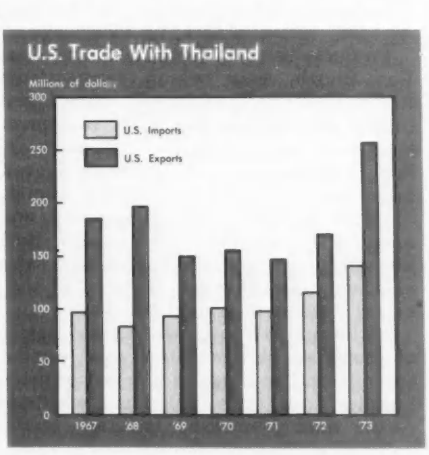
In 1974, Thai imports are expected by Bruce Sever of the Bureau of International Commerce to increase roughly 40 percent in value. The boost comes from continued prosperity in Thailand stemming from rapidly growing earnings from Thai exports, and substantial price inflation of crude oil and other imports.

GNP growth may exceed 4 percent in 1974. During 1973 it was 8.6 percent and GNP totaled $7.1 billion. The aspiration of Thai Government planners for a GNP growth rate of 7 percent during the remaining three years of the Third National Economic and Social Development Plan is being adversely affected by increased prices of machinery and equipment for planned industrial and infrastructure projects. Also, there is increasing evidence of local surplus of important industrial commodities including textile yarn, cement, and reinforcing bar.

Investors cautious

Even though continued growth of the Thai economy is in prospect, businessmen and investors are presently cautious. The sudden overthrow of the military government in October 1973 affected the climate for doing business in a manner that has continued into 1974. The present interim government is proceeding towards adoption of a new constitution and election of a representative, parliamentary government planned before the end of 1974.

The outlook for U.S. exports to Thailand is increasingly favorable. Besides continuing prosperity in Thailand, American goods are increasingly price competitive and maintain a high reputation for quality. The Thai wholesale price index increased 23 percent during the past year, and the country's biggest import supplier is experiencing greater inflation than the United States.



Anti-inflationary measures taken by the Royal Thai Government include tightening of bank credit and imposition of controls to prevent market manipulation of key commodities. The government is considering the reduction of import duties on raw materials for some locally produced goods as an alternative to granting increases in controlled domestic prices of goods produced.

In 1973, Thailand imported U.S. goods valued at $292 million (Thai figures), a 14 percent share of total Thai imports of $2,090 million. Cotton, the most important Thai import from the United States, was valued at $44 million. U.S. non-electrical machinery, iron and steel, tobacco and electrical machinery, in order of importance as Thai imports in 1973, ranged in value from $39 million to $13 million.

Sustained Thai demand for machinery and raw materials is expected, especially if the import duty on numerous industrial raw materials is reduced as is being contemplated by the Ministry of Finance. A world surplus of textile products could result in a decline in Thai imports of needed textile materials, particularly PL 480 cotton. Tobacco might continue as an important U.S. export to Thailand even though PL 480 shipments may decline.

The level and composition of Thai imports may be increasingly modified by standards certification requirements for selected products whether imported or indigenous. Certification from the Thai Industrial Standards Institute is presently required on ballasts for flourescent lamps, tapioca, matches and canned pineapple. PVC-insulated cable and flexible cord imports may soon require certification.

Best prospects for U.S. sales may be in the area of Thai agribusiness, which engages 75 percent of the Thai population and presently receives special attention from the Royal Thai Government. Most salable items may include food processing and packaging machinery, farm implements and vehicles, seeds and fertilizer. The petrochemical industry is ripe for development and expansion. The full range of electric power generating facilities is being steadily upgraded using imported machinery and equipment. Medical equipment and facilities are needed to meet increasing local expectations.

Thailand has ample ability to pay for imports in that official foreign exchange reserves of $1,438 million at the end of March 1974 were equivalent to the value of 6 months of forecasted total Thai imports in 1974.

Upcoming U.S. direct promotion events in Thailand include a food processing and packaging machinery technical seminar in November, and an educational training aids and audio visual equipment catalog exhibit in April 1975.

The World Bank recently granted a $12 million credit to a Thai development entity.

Record Trade Role Seen In Near East-South Asia

Increased Oil Revenues Boost Demand For Goods

The recent reduction in political tensions in the Near East and movement toward closer U.S.-Arab economic and political relations, coupled with dramatically increased oil revenues, should contribute to a record-breaking U.S. export performance in 1974 to the Near East and South Asia. This is the report of John T. Haldane of the Bureau of International Commerce.

First quarter U.S. exports to that area already amount to approximately $2 billion, compared to $4.5 billion for the entire year of 1973. U.S. exports for 1974 should reach $6 billion, an increase of 30 percent over the 1973 level. Most of this increase will result from greatly enhanced trade opportunities in Saudi Arabia, Iran, and the major oil-producing countries of the Persian Gulf. However, U.S. exports to such non oil-rich nations as Egypt, Lebanon, and Turkey also should run considerably ahead of 1973.

This favorable trade outlook is based on continued high import demand for both developmental and consumer goods. Billions of dollars in revenues are accruing to Saudi Arabia, Iran, and the Gulf states as a result of agreements on higher oil prices. It has been estimated that 1973 oil revenues of the major Near East producers will total $15 billion. A rough 1974 estimate is $62 billion, and that for 1975, approximately $90 billion. Although these huge sums cannot all be immediately expended for national economic development projects, large parts of them surely will, causing a staggering proliferation of marketing opportunities. In addition, some funds will go directly to assist neighboring Arab states, while other amounts probably will be allocated to multilateral organizations for general assistance to developing countries.

The largest U.S. export increase in the Near East-South Asia area is projected for Saudi Arabia, the Gulf states, and Iran. These countries imported $1.5 billion from the United States in 1973 and during the first quarter of 1974 already have imported almost half of that amount.

Egypt again is becoming an attractive market for U.S. goods and services. Imports from the U.S. rose markedly from 1972 to 1973, and 1974 imports are running considerably ahead of last year's figures. Egypt can be expected to use a large part of its foreign exchange earnings and credits for spare parts and raw materials badly needed in its industries.

Turkey has considerably increased import authorizations for 1974, due to its unusually strong foreign exchange position. Imports from the United States should exceed those for 1973.

Israel, with its high import demand, continues to be an active trading partner. The United States remains Israel's chief supplier and 1974 U.S. exports should pass last year's levels as the Israeli economy returns to a peacetime basis.

In the South Asian subcontinent, somewhat improved economic conditions should enable these countries to finance slightly higher import levels. U.S. exports during the first quarter of 1974 indicate that its position will be maintained.

American exporters have a special advantage in Near East-South Asian markets in that the quality of U.S. products continues to be held in high regard throughout the area. Also, the U.S. competitive position has been strengthened by the past dollar devaluations. Because many of the Near Eastern governments, especially the major oil producers, are budgeting huge funds to implement agricultural and industrial development programs, U.S. firms or consortia offering complete development packages will continue to be in an advantageous position.

A word of warning is in order regarding European and Japanese competition, however. During the past few years, the aggressive sales efforts of European and Japanese suppliers have made significant inroads into Near East-South Asia markets—often at U.S. expense—and continue to constitute a serious threat to the maintenance of a strong U.S. position in the area. Foreign competitors often have edged out U.S. suppliers by their personal attention to the specific requirements of a particular market, by frequent visits to the area to establish close business contacts, by the provision of good financing and technical support, and, often most importantly, by the establishment of dependable after-sales service facilities. This latter point looms ever more important as a key factor in securing repeat sales.

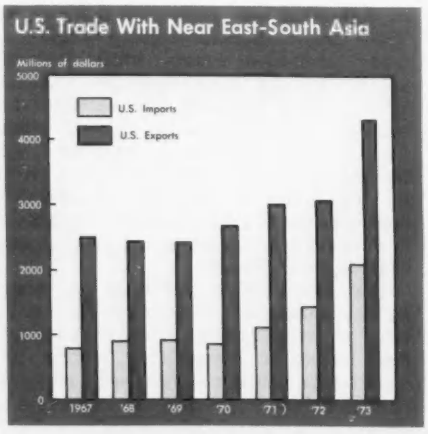
Products most in demand in the Near East-South Asia region range from foodstuffs, small consumer items, and luxury automobiles to capital equipment for infrastructure projects, air conditioning equipment, and sophisticated instrumentation. U.S. commercial aircraft continue to outsell the competition and remain an important U.S. sales item throughout the area. Defense-related sales also have resulted in very substantial U.S. export returns in several countries.

Although petroleum-based industries obviously are high on lists of most wanted enterprises, the range of planned projects includes steel mills, aluminum smelters, copper mining smelting facilities, textile plants, paper mills, telecommunications, harbor facilities, and water desalinization installations.

While the United States does not presently have diplomatic relations with Iraq, and has just re-established them with Syria, exports to these countries have begun to rise significantly. U.S. exports to Iraq almost tripled from 1972 to 1973 and exports in 1974 promise to considerably exceed last year's figure. Although not so spectacular, U.S. exports to Syria rose from 1972 to 1973 and the first quarter 1974 figure is more than half the 1973 total. Given the recently expressed interest of both these countries in U.S. products and technical services, higher exports can be predicted, with increased Iraqi demand, based on rising oil revenues expected to reach about $10 billion in 1975, of special interest. Iraq's 1974 investment budget totals $4 billion, about triple 1973's.

Well aware of the booming Near East market, Commerce has been stepping up its export promotion efforts in the area. Fiscal year 1975 exhibitions at the recently opened Tehran Trade Center will feature institutional feeding systems, vocational and educational systems, automotive servicing equipment, and food processing and packaging equipment. The smaller U.S. Regional Trade Center in Beirut will sponsor an offsite exhibition on automotive servicing and repair equipment in February 1975, while a specialized building materials exhibition will be featured in Riyadh, Saudi Arabia, in April.

Commerce trade missions to a number of Arab states in fiscal year 1975 will cover such industries as specialized building materials, portable generating and road maintenance equipment, light industry metal and woodworking equipment, railroad equipment, and business equipment and systems. Other Commerce trade missions will travel to Israel, Turkey, India, and Pakistan to feature such items as food processing and packaging equipment; earthmoving, mining, and construction equipment; and special machine tools, to include numerical control equipment.



Kuwait

Nearly 50 Percent Gain Foreseen For U.S. Exports

U.S. exports to Kuwait in 1974 are expected to advance to about $175 million, a gain of almost 50 percent over U.S. sales of $119 million in 1973, according to George T. Beck of the Bureau of International Commerce.

Kuwait's foreign exchange earnings from oil exports are likely to rise to $7-11 billion annually by 1974, compared to about $3 billion in 1973. Although this income will greatly exceed Kuwait's present import absorptive capacity, it will lead to dramatic changes in the Kuwait market as massive resources are expended to implement the country's major economic and industrial goals. These goals are: establishing liquefied gas production and export facilities and a basic petrochemicals industry; founding large metal fabricating industries for steel and aluminum; starting additional light manufacturing industries to supply expanding local and Persian Gulf markets; and expanding the country's already advanced infrastructure and economic welfare facilities in education, housing, health, communications, and transport. Kuwait's ambitious programs will lead, no doubt, to a 25-50 percent annual growth for the next several years in its current $1 billion import market.

Per capita income up

Kuwait's greatly expanded income for its population of about one million inhabitants will lead to gross domestic product per capita figures approaching $10,000. While actual and potential levels of per capita consumer purchasing power are well below that figure, Kuwait has pioneered programs to distribute oil income to the public. Personal incomes should rise significantly creating an enlarged market for consumer durables and non-durables and for establishing light industries locally.

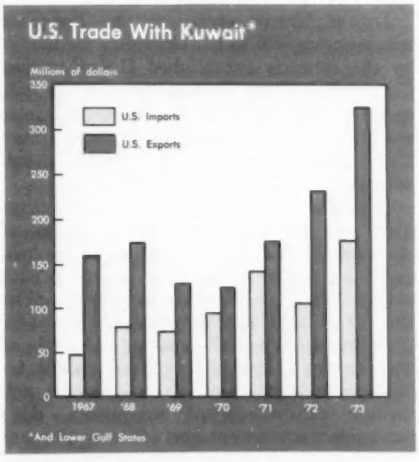
There is almost boundless business confidence, foreign and domestic, in Kuwait. Businessmen of all major industrial nations are knocking at Kuwait's doors for participation in the government's large infrastructure projects or to gain access to Kuwait's huge capital surplus. Private Kuwaiti entrepreneurs are investing locally in new businesses or real estate ventures and are seeking joint ventures with foreign companies for new manufacturing enterprises.

U.S. firms find success

The improved competitiveness of U.S. firms since devaluation has helped them win recently a number of large equipment supply contracts in Kuwait. U.S. firms have had some success also in obtaining major architectural and consulting contracts. However, more efforts are required in this direction as competition is intense for key technology contracts which will influence future equipment purchases.

The United States was Kuwait's second principal supplier in 1972, the latest year for which complete Kuwaiti statistics are available. The United States supplied 14 percent of total imports, compared to Japan's 16 percent. Major items of U.S. supply in 1973 and early 1974 are passenger cars and trucks, foodstuffs, cigarettes, air conditioning equipment, construction and earthmoving equipment, electrical household equipment, pumps and centrifuges, clothing, and office and stationery supplies.

New areas of promising export potential are: construction materials, industrial machinery, packaged industrial plants and recreational equipment.



United Arab Emirates

Development Projects Can Use U.S. Materials

U.S. exports to the United Arab Emirates are expected to significantly increase to about $215 million in 1974, far exceeding 1973 exports of $121 million, according to George T. Beck of the Bureau of International Commerce.

The foreign exchange earnings of this recently-formed confederation of seven emirates—of which Abu Dhabi and Dubai are the most prominent—are rising rapidly and will soon surpass $5 billion annually. This immense new wealth for a total population of 250-300 thousand persons will enable the United Arab Emirates to greatly expand consumer goods imports and to implement simultaneously many major projects designed to improve the confederation's infrastructure and to further the economic integration of the component sheikdoms.

The proliferation of new projects in such fields as desalinization, power development, education, housing, road construction, and metals fabrication offers many opportunities for foreign architectural and consulting firms and equipment suppliers. Other challenges for U.S. consulting firms and suppliers arise from the current UAE interest in defense equipment systems, airport construction, the establishment of refineries for oil export, and the initial development of an indigenous petrochemical industry.

Statistical projection of the countries' gross domestic product figures, in light of prospective increases in oil revenue, are mind-boggling, exceeding $20,000 per capita in the near future. Effective per capita consumer purchasing power is still far below these levels but rising rapidly.

With assured financing for large-scale local development, for UAE foreign aid programs to neighboring countries and for investment abroad, business confidence is high both in the dominant government sector and among UAE private businessmen.

U.S. firms are very competitive in this market and have been awarded several major consulting contracts, particularly in Abu Dhabi. Japanese competition is especially strong in all fields and British consulting firms have captured all major contracts in Dubai.

In 1973, the United States supplied 15 percent of UAE imports, compared to Japan's 23 percent. Major items of current U.S. trade are: construction and roadbuilding machinery, passenger cars and trucks, iron and steel products, and oilfield equipment.

The UAE offers a still small but fast growing market for a wide range of American consumer products and a major market for American construction materials and machinery and equipment which are needed by most infrastructure sectors.

This magazine is currently publishing a series of articles on the expanding business opportunities in the nations of the Near East. A featured overview report appeared on Page 5 of the June 24 issue, which also included articles by the top-ranking U.S. envoys in Saudi Arabia, Kuwait, Lebanon, Iraq and Oman. The July 8 issue carried an article on Iran by the U.S. Commercial Attache.

A newly-completed Bureau of International Commerce publication, "The Near East Market: A Report to U.S. Business," will be available after Aug. 1 at 65 cents per copy. It has information and assessments by a Bureau study group that recently visited Cairo, Baghdad, Tehran, Kuwait, Abu Dhabi, Jidda, Riyadh and Beirut. Write: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C 20402.

Egypt

Expected Foreign Capital Will Speed Development

Egypt's demand for U.S. imports may grow from $225 million in 1973 to as much as $400 million by the end of 1974, according to T. Patrick Killough of the Bureau of International Commerce. More importantly, Egypt may soon begin moving into a period of industrial expansion and development which could create a billion dollar market annually for U.S. exports by 1978.

During the remainder of 1974, U.S. exports to Egypt probably will be dominated by foodstuffs, particularly wheat and vegetable oils, and by raw materials and spare parts and equipment for existing underutilized plant capacity. But by 1975, assuming increasing international financial support, Egypt should have embarked on a new industrialization effort which will generate significant demands for a broad range of U.S. products.

For years Egypt has possessed most of the factors essential to sustained economic expansion. But two elements were lacking: sufficient foreign exchange to finance the expansion, and a comprehensive program to insure that significant amounts of Egyptian manufactured goods were sold abroad to generate further reserves of foreign currency. Now, recent political developments have brought Egypt promises of massive short-term infusions of foreign exchange, enabling it both to plan increased industrial production to meet domestic needs and to create an overall strategy for export.

Much of current international interest in providing financial support to Egypt stems from the country's positive economic advantages, such as its geographic setting providing easy access to Europe, Africa, and Asia, and its population of nearly 40 million, by far the largest consumer market in the Arab world. Egypt has a skilled, disciplined industrial labor force and its economy, based on both agriculture and industry, is supported by a well-developed infrastructure.

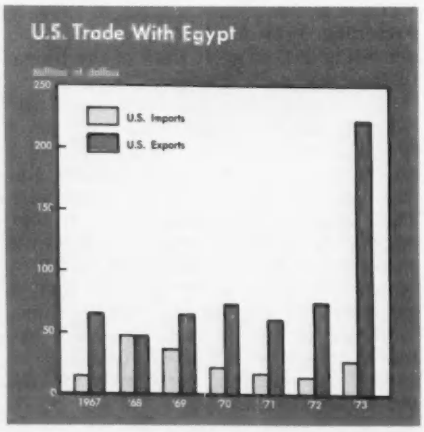
In addition to current Saudi Arabian and Kuwaiti financial assistance, the United States has made an offer of $250 million to Egypt for short-term economic reconstruction and development. Kuwaiti and other private Arab investors are showing increased interest in investing in new manufacturing operations in Egypt. And two American banks, Chase Manhattan and First National City Bank of New York, recently have opened offices in Cairo to participate more effectively in Egypt's future economic growth.

In 1974 and 1975 Egypt will be moving through a crucial period of transition from a foreign-exchange-poor economy to one which more nearly accords with the nation's potential for growth. The government's short-term economic strategy wisely places highest priority not on establishing new factories, but on reactivating an estimated 30 percent of existing industrial capacity that has become idle through lack of foreign exchange to purchase raw materials and spare parts abroad. Getting this capacity back on stream is expected to give an immediate boost to the economy. Other important short-term money earners are tourism and, when reopened, the Suez Canal. It is possible that recent assurances of foreign government credits will induce the Government of Egypt to free sizable foreign exchange holdings during the remainder of 1974 for industrial imports, a step which would be of immediate interest to U.S. manufacturers.

United States access to the Egyptian marketplace will be considerably facilitated by the recently established U.S.-Egyptian Cooperation Commission. This body will guide the activities of six important joint working groups, including those on Suez Canal reconstruction and development, private investment, and agriculture.

Business opportunities for U.S. firms also will be enhanced by a series of specialized product exhibitions, to be held twice yearly in Cairo in conjuction with international technical seminars. The themes of these exhibitions are selected by the Government of Egypt on the basis of the country's immediate requirements for high-technology items. Future events will include exhibitions of computers, data processing equipment and office equipment in December 1974, hospital equipment and hospital management systems in June 1975, and building machinery and materials in December 1975.

The Department of Commerce is giving increased attention to the Egyptian trade potential. In 1975 and 1976 it plans to sponsor a series of trade missions and product exhibitions, on such themes as specialized railway equipment, cotton ginning machinery, textile manufacturing equipment and food processing machinery.



Iran

Soaring Oil Revenues Can Boost U.S. Sales

The Iranian economy is experiencing an unprecedented boom. U.S. suppliers of all types of goods and services willing to take a serious look at Iran will find tremendous opportunities awaiting them, reports Michel F. Smith of the Bureau of International Commerce.

Although Iran has made good progress in efforts to broaden its economic base, petroleum still plays a crucial role. Oil revenues amounted to $5.1 billion during the last Iranian fiscal year (the 12-month period ending March 20) and will probably exceed $16 billion during the year ending next March. As a result total yearly foreign exchange earnings are expected to jump from about $6 billion to approximately $18 billion.

The real GNP growth rate, which averaged more than 11 percent a year between 1964 and 1974, jumped to 32.8 percent during 1973-74, and is expected to climb above 40 percent during the current Iranian fiscal year.

Government plans improvements

In order to translate these developments into long-term benefits for Iran's 32 million people, the government is stepping up its already ambitious development program. Fixed investments under the Fifth Plan (1973-78) are expected to total a staggering $56 billion. Expenditures for improving educational and medical facilities, housing, and other social welfare activities will be boosted, as will investment in industrial capacity, transportation and communications facilities. This economic diversification, and a consequent reduced reliance on petroleum products, fits in with the pronounced major government goals.

Rapid growth, combined with political stability and increasing diversity and sophistication of the country's economy, makes Iran today the most attractive market for U.S. business in the Middle East. The value of nonmilitary imports rose at an average annual rate of 17 percent from 1969 through 1972 and jumped more than 42 percent last year. There is every indication that a strong upward trend will continue in the foreseeable future as Iran's development programs gain momentum and as the standard of living advances.

U.S. a major supplier

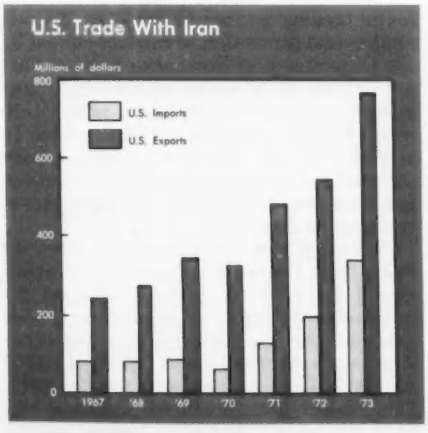
The United States has long been a major supplier to Iran, and U.S. goods and services enjoy a good reputation generally. According to U.S. statistics, U.S. exports to Iran rose more than 38 percent in 1973, and they should rise even faster this year as the full impact of the recent oil price increases is felt.

Although Iran's commercial policy is geared to promoting industrialization, imports are being increasingly liberalized to help dampen inflation and provide competition to local industry. In line with this, the Government of Iran further liberalized import restrictions in March. The customs surcharge, or Commercial Benefits Tax, was reduced or eliminated for 216 items, another 18 were removed from the "unauthorized" list, and the requirement for prior government approval was eliminated for a further 29 items. In addition, Parliament is expected shortly to reduce the fee on import order registrations from 5.5 percent of invoice value to 1 percent.

The Government of Iran is determined to maintain a good investment climate as a means of increasing the pace of industrialization, introducing new technologies, and promoting growth of non-oil exports through efforts of the private sector. American firms or groups of firms that can offer complete project development packages which emphasize local training will find Iranian agencies more receptive to their proposals. The list of industrial projects being carried out by joint ventures of American and Iranian interests is growing rapidly. These projects, ranging from automobile assembly to pharmaceuticals, offer outstanding sales opportunities to U.S. industrial equipment suppliers.

New U.S. Trade Center

To take full advantage of opportunities for increased sales presented by the Iranian economic boom, the U.S. Government opened a new trade center in Tehran last November. Major promotions have included exhibitions of medical and hospital equipment, modern office machinery and mini-computers. An audio-visual training equipment show is scheduled in November 1974, followed by an automotive service and repair equipment show in February 1975. U.S. Trade Center facilities are available between shows to individual companies that wish to promote new products in Iran.



Saudi Arabia

U.S. Materials In Demand For Industrial Expansion

U.S. exports to Saudi Arabia appear likely to rise from $442 million in 1973 to $600 million in 1974, an increase of nearly 36 percent, according to T. Patrick Killough of the Bureau of International Commerce. All of the areas in which U.S. sales to Saudi Arabia have traditionally been strong will be represented in this rise, notably foodgrains (mainly wheat, flour and rice), a wide range of manufactured consumer goods, construction equipment, automobiles, and aircraft.

Demand for a broad range of construction equipment, building materials, oil-field equipment and trucks is known to be much stronger than materials-short U.S. manufacturers can supply. A steady, orderly market for U.S. capital equipment and related supplies is created by the petroleum sector, as ARAMCO resumes its war-interrupted program of expanding oil production from 7 million to 20 million barrels per day. Massive spending on residential construction, office buildings, hospitals and government offices also continues to transform the appearance of Saudi Arabia's major cities. The widely scattered communities of the nation are being brought closer together by ongoing construction of highways, telecommunications networks, and expansion of existing port and airport facilities.

By the middle of 1975 the first fruits of the Kingdom's recent dedication to industrialization and economic diversification should become apparent as the government makes the basic policy decisions regarding future progress plans and selects from among the hundreds of recently offered foreign investment proposals for industries based on natural gas and petroleum byproducts. U.S. Ambassador James Akins, in the June 24 issue of *Commerce Today*, estimates that new industrial investment will total $10 billion by 1982. From that point onward the annual Saudi demand for American exports could well be $2 billion or more.

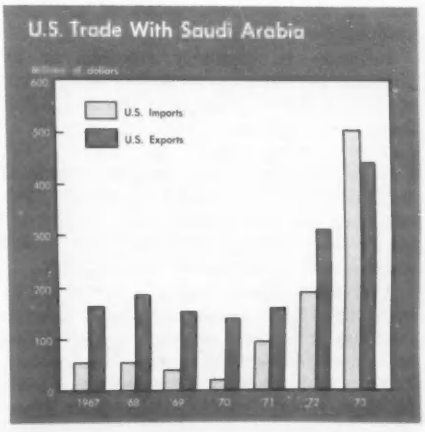
U.S. access to the Saudi marketplace as well as the Saudi industrialization process will be greatly supported by the recent decision, jointly announced on June 8 by Saudi Arabia's Prince Fahd bin Abd al Aziz and U.S. Secretary of State Henry Kissinger, to establish a Joint Commission on Economic Cooperation. Headed on the U.S. side by Treasury Secretary William Simon, this Commission will find expression in four joint working groups. The first, the Working Group on Industrialization, was scheduled to meet in Saudi Arabia on July 21 to begin general discussions on Saudi Arabia's industrial development and the role of private U.S. business in the development process. The three other working groups are Manpower and Education, Technology and Science, and Agriculture.

In recent months three Commerce trade missions have visited Saudi Arabia, successfully probing the Saudi market for equipment and technology in the fields of education, telecommunications, and water resources. Future events planned include trade missions on specialized industrial and port equipment, railway equipment, metalworking and woodworking equipment, and data processing equipment. A catalog show on automotive servicing and repair equipment is planned for December 1974. The first Commerce product exhibition ever held in Saudi Arabia is scheduled for April 1975 in Riyadh, the Kingdom's inland capital, on the theme of building materials, systems, and technology.

Reports from the U.S. Embassy in Jidda and the Consulate General in Dhahran continue to insist that there is no substitute for a personal visit to Saudi Arabia by American businessmen determined to penetrate the market. Careful selection followed by all-out support of an on-the-spot local representative are further prerequisites of a sales campaign which can succeed in the face of determined competition by increasingly active Japanese, European and other international competitors.

There is room for substantial numbers of U.S. engineering, construction, architectural and general consulting firms to set up resident offices in Saudi Arabia in order to take part from the beginning in one of the world's most massive sustained programs of construction and industrialization. Currently there are virtually no resident Americans in Saudi Arabia in a position to market such skills.

Several thousand American, European and Asian businessmen are expected to take up residence in Saudi Arabia in the remainder of the 1970's. This will create a growing market for prefabricated and modular housing and a demand for American school teachers and school administrators.



India

Prospects Look Good For Equipment Sales

Total Indian imports will increase moderately in 1974, with those from the United States rising approximately 10 percent, predicts Claude L. Clement of the Bureau of International Commerce. While U.S. exports will be bolstered by continued grain purchases, there are also significant prospects for the sales of U.S. equipment and technology in areas such as mining, electric power, railroads, oil drilling and textiles which have been indentified by the government as crucial to India's basic economic needs.

Though India's foreign exchange reserves now stand at $1.4 billion, in the coming months a combination of heavy food and fertilizer purchases, along with greatly increased expenditures on crude oil and other essential commodities, may leave very little room for other imports.

An additional factor contributing to a limited expansion of non-essential imports is continued industrial stagnation. Shortages of coal and other raw materials, deteriorating railroad services, strikes, and a host of other problems have caused steel, fertilizer and other vital industries to operate well below capacity. Electric power shortages have severely restricted industrial production across the board, as well as agricultural production in areas dependent on tubewells.

The immediate agricultural outlook is not bright either. Following the unusually good monsoon last summer, rainfall this year has been sparse. This, in addition to an inadequate supply of fertilizer and the effect of reduced water resources on irrigation, has caused a less hopeful outlook for the 1974 foodgrain harvest. Fortunately, the outlook for commercial crops, especially sugar and cotton, is promising. Production of jute, a major earner of foreign exchange, will be up sharply, spurred by rising export demand due to the increased costs of synthetic competitive products.

Inflation is currently running at an annual rate of 29 percent and shows no sign of slowing down. It has put a brutal squeeze on all but the most affluent sectors of Indian society and has forced the government to postpone implementation of the Fifth Five Year Plan (1974-79). The resulting decline in per capita GNP has contributed greatly to labor unrest and social tension throughout the country.

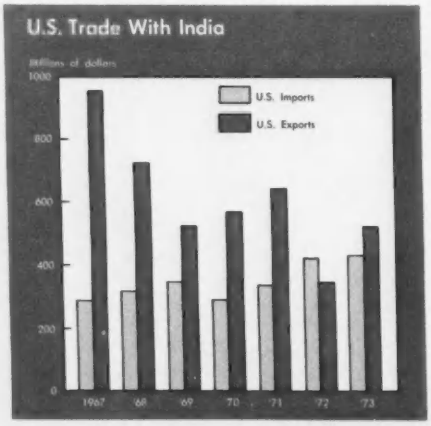
The Indian Government is beginning to take the first tentative steps toward relaxing its controls over private enterprise on a case-by-case basis in order to stimulate exports and production. Reversing a 1973 decision, wheat distribution has been given back to private traders. Production licensing for large private industrial firms has been made easier, and import restrictions reduced for firms which export a significant portion of their output.

India's trade balance has so far held up remarkably well. This has been due in large part to buoyant demand for a wide range of India's exports, tight government import controls, and a limited demand for certain raw materials stemming from domestic economic stagnation. As a result of a 20 percent increase in exports, India's trade deficit in fiscal year 1973-74 seems likely to be as low as $300 million. India's trade gap will grow substantially this year, particularly because of crude oil and foodgrain imports.

India's domestic economic problems have accentuated the country's need for imported goods, services, and technology. Among the more promising export categories for U.S. manufacturers are railroad equipment, textile machinery and power generation, distribution, and transmission equipment to help fill India's widening power gap. Other product areas offering good opportunities for U.S. suppliers are mining, construction and earthmoving equipment, shipbuilding and port maintenance equipment, telecommunications, oil drilling equipment, scientific and control instrumentation, chemicals and fertilizers.

Commerce has scheduled three trade missions to visit India in the coming year to promote the sale of earthmoving, mining and construction equipment, shipbuilding and port maintenance equipment, and special machine tools and numerical control equipment. In addition, a catalog show on insecticides, pesticides and related equipment is scheduled for November.

The investment climate in India is promising for those investment projects which increase exports, reduce imports and transfer needed technology. These areas include: electronic components, industrial instrumentation, chemicals, and projects for coal gasification and liquefaction. In addition, the government has invited firms to bid for offshore drilling contracts to supplement its own efforts to locate offshore petroleum.



Pakistan

Aircraft Sales Are Key To Increased U.S. Exports

U.S. exports to Pakistan should register a substantial increase in 1974 primarily because of the sale of commercial aircraft, reports Kathleen M. Keim of the Bureau of International Commerce. While Pakistan's total import bill in 1974 will increase, this will be mainly the result of rising prices for fertilizer, petroleum, raw materials and machinery rather than an increased volume of imports.

Pakistan, like many developing countries, is plagued by high rates of inflation, soaring import costs and a leveling off of exports. Pakistan's export growth rate has slowed due to decreasing demand and prices for cotton yarn and to crop losses caused by the August 1973 floods, which limited the exportable surplus of raw cotton. Despite increased prices for its rice exports, Pakistan is expected to have a balance of payments deficit in fiscal 1974.

Overall, however, the outlook for increasing economic development is bright. The Government of Pakistan estimates that during July 1973-June 1974 GNP grew 6.1 percent, industrial production grew 7 percent, and wheat production hit an all-time record of 8.5 million tons. Foreign aid has reached pre-1971 levels and a debt rescheduling agreement is in the process of negotiation. Although domestic private investment has not been vigorous, a pragmatic policy of channeling investment to the public sector has been instituted.

Both domestic and foreign investment remain sluggish after the latest round of nationalizations in January. Rumors of further nationalizations continue even though high government officials state that none are planned—at least until after the next general elections. Because foreign firms have not been nationalized, many Pakistan investors express strong interest in obtaining foreign partners.

The United States continues to be a major trading partner of Pakistan. Market studies and promotion events conducted by the Department of Commerce indicate that for many types of machinery and equipment Pakistan end-users prefer U.S. products, even at slightly higher prices. In addition U.S. products have been competing very successfully with European and Japanese competitors since the recent currency realignments.

Financing can be critical in sales to Pakistan; therefore, careful attention should be paid to projects financed by international lending agencies. These agencies, plus the United States and other Western countries, have pledged $500 million in loans to Pakistan for FY 1975. This does not preclude commercially financed sales however, since recent

experience indicates that the government is willing to consider this possibility when the equipment is deemed essential to the economy.

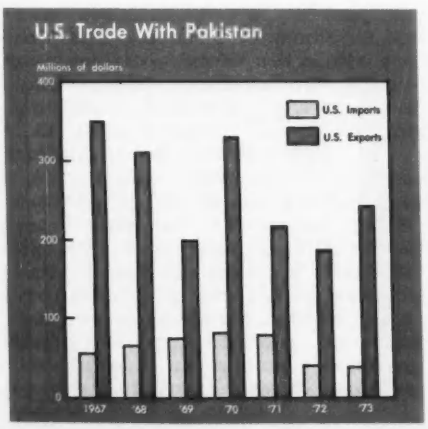
At present several major projects financed by international lending agencies offer excellent prospects for U.S. business. The most advanced of these projects is the 300-mile Indus Right Bank Pipeline, to cost $60 million in foreign exchange. Procurement for the first phase has already been completed. The second 260-mile phase will offer opportunities for sales of 18" high-pressure steel line pipe, pipeline coat and wrap materials, bore and plug valves, flanges and miscellaneous fittings, heavy and light construction and transport machinery and equipment and a turnkey telecommunications system.

The Pak-Arab fertilizer project, costing $75 million in foreign exchange, will use Pakistan's rich natural gas resources to reduce the substantial expenditures for fertilizer imports. In addition to plant facilities the project includes offsite facilities for steam and power generation, water treatment and cooling, product handling and storage.

A new steel mill using imported iron ore and coal is being constructed with the assistance of the Soviet Union. The need for importing raw materials necessitates construction of a deepwater port near the steel mill. Since limited steel production is projected to begin in 1977, construction of minimum berthing facilities must be accomplished on a crash basis. The first phase will consist of a berth for 25,000-ton bulk carriers for coke and iron ore shipments and the necessary bulk cargo handling system to service such ships.

Pakistan's existing port at Karachi is also scheduled for expansion in the near future

Commerce's trade promotion program for Pakistan for the coming fiscal year includes three trade missions: earthmoving, mining and construction equipment; shipbuilding and port maintenance equipment; and special machine tools and numerical control equipment; and a catalog show for food processing and packaging equipment.



Turkey

Government Allows More Developmental Imports

American exporters can profit from Turkey's overall increases in imports, believes John P. (Basil) Wentworth of the Bureau of International Commerce. Most promising categories are in the field of industrial goods, along with the engineering services needed to develop Turkey's industry and its considerable natural resources, including minerals, forest products, and thermal and hydro power.

To increase their sales in the Turkish market, American exporters must work aggressively. Turkey looks to Europe as a natural trading partner, and now receives some 55 percent of her imports from the expanded, nine-country European Economic Community. In comparison, the United States share of the market is only nine percent, and falling. The most important single improvement American exporters can make in their marketing techniques is to offer improved after-sales service.

Enjoying a comfortable foreign exchange position for the first time in many years, Turkey has authorized imports in 1974 at almost double the 1973 rate. Turkey's gold and foreign exchange holdings stand at the record level of slightly over $2 billion and continue to rise, swelled by remittances from Turkish workers abroad.

Imports into Turkey are subject to detailed control by the Government of Turkey, defined in a list published at the beginning of the calendar year. Luxury goods and products competing with goods produced in Turkey are substantially prohibited, and the pattern of authorized imports is generally tied to the projected needs of the country's Development Plan. The "import regime" for 1974 authorizes imports of slightly over $3 billion, an almost 100 percent increase over the corresponding figure for 1973.

Growth rate slows

Although Turkey's industrial production increased 13 percent in 1973—the highest growth rate in recent years—a decline in agricultural output slowed the GNP growth rate to 5.5 percent (in real terms). The latter followed two years of bumper harvests, however, and the overall 1973 figure did not fall below the projected trend line of previous years. Now that last year's drought has ended, prospects for 1974 are good. Earnings from agricultural exports should be more than enough to cover Turkey's food import bills.

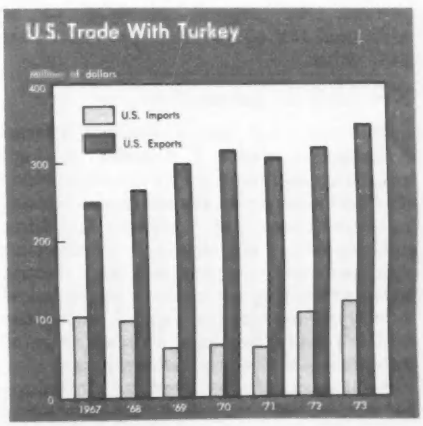
The overall balance-of-payments picture has improved steadily since 1970, because of strong receipts of worker remittances, growing and diversified exports, and increased tourist earnings. Turkey's export earnings in 1973 rose by 49 percent, while expenditures on imports increased by only 34 percent.

In the near future, the prospects for Turkey's balance of payments, though still far from desperate, are not so rosy. The sharp increase in the world price for crude petroleum and rising prices in world commodity markets will add considerably to Turkey's import bill. Comparable increases in earnings are not in sight.

It is on remittances from workers that Turkey relies most strongly for foreign exchange, and recent developments in this area give some cause for concern. Germany, the largest employer of Turkish workers, has imposed a moratorium on all new hirings, although no suggestion has been made that workers already abroad will be repatriated. The future of Turkish "guest workers" in Germany will depend directly on Germany's economic condition—but the mere cessation of new hiring is a severe blow to Turkey, which has looked to increased foreign employment not only as a source of foreign exchange, but also as a safety valve for domestic unemployment.

Unemployment and inflation are the most serious problems facing the Turkish economy. Both threaten to become worse in 1974. The Turkish unemployment rate has been estimated at over 11 percent of the labor force, while inflation has averaged almost 20 percent per year over the last three years, and may well reach 30 percent in 1974.

There are still considerable uncertainties as to the policies of the new government—and even more uncertainty as to how the policies will be implemented. The government, a coalition formed in January, three and one-half months after the October 1973 election, has presented a broad statement of measures concerning the country's economy, generally reaffirming Turkey's traditional Etatist philosophy, but incorporating a more populist bias than that of the previous government. Turkish businessmen have expressed some concern over how the government's policies will affect the private sector.



Israel

Industrialization Creates High Technology Demand

Although Israel is entering a new period of austerity, the market for American industrial goods and raw materials should remain strong, according to Franc Manzolillo of the Bureau of International Commcerce. The chronic tightness of the labor market continues, and labor-saving equipment will be even more in demand than in the past.

Israel's exports presently are at a rate 40 percent higher than in 1973. Tourism is up slightly from pre-war levels. However, Israel's balance-of-payments deficit on current account may reach $83.3 billion, or 30 percent above last year's figure and more than three times greater than the 1972 deficit. Israel is having to pay for many things at once—defense, immigrant absorption, economic development, and the solution of social problems—and all have an inevitable effect on the country's payments situation.

The resulting drain on Israel's reserves is expected to be manageable as much of the trade deficit will be offset by capital flows: grants from the U.S. government, restitution payments by Germany, charitable donations, and loans, including the sale of Israel bonds.

Israeli importers are again subject to a 20 percent prior deposit requirement. A similar requirement had been in effect from 1970, but was revoked at the end of 1973. Exemptions are granted in the case of food, petroleum, re-exports, personal effects, shipments of less than $1,190 value, and duty free items, or those dutiable at less than 10 percent.

The measure is intended to curb imports and to absorb excess liquidity in the economy. The deposit, which must be 20 percent of the c.i.f. value of the import, runs for one year, with no maintenance of value provision, and draws no interest. At prevailing interest rates, and with a projected annual inflation rate of 40 percent, the deposit amounts to an additional tax of about 10 percent of the c.i.f. value.

New look at automation

The progress of industrialization in Israel continues to create a demand for high technology equipment. Product lines which offer best sales prospects are machine tools, metalworking and metal finishing equipment, electronic production equipment and components, and electric power generating equipment. The chemical industry is expected to expand during the next few years, requiring a broad range of instrumentation and allied equipment.

Awareness of the need to introduce automation into manufacturing plants has been intensified by the production slowdown which came during and after the October 1973 war. The commercial opportunities implicit in this trend warrant more assiduous attention by U.S. firms, especially as regards process control instruments, computers, and other sophisticated equipment.

Israel's chief imports from the U.S. are agricultural products, machinery and electrical equipment, rough diamonds, automobiles, ships, aircraft, metal products, chemicals, optical and measuring instruments, paper and paper products, textiles and clothing.

Lebanon

Strong Call For Imports Will Favor U.S. Goods

U.S. exports to Lebanon are expected to soar to about $300 million in 1974—some 75 percent above the previous high of $162 million in 1973, predicts George T. Beck of the Bureau of International Commerce.

Much of Lebanon's current heavy import demand arises from its important and expanding entrepot trade, finance, communications, markets and tourism services for the enormously wealthy Arab hinterland. Apart from the stimulus of the spectacular growth of economic activity in those neighboring markets, Lebanon's own increasing consumer demand is leading to larger imports of automobiles and other consumer durables and to the simultaneous expansion of light industrial manufacturing capability to satisfy both domestic and Near East demand. The government's expenditures are increasing for new or improved infrastructure facilities in ports, communications, roads and railways, electricity generation, and irrigation. Meanwhile, private business activity is flourishing, particularly in real estate improvement and building construction.

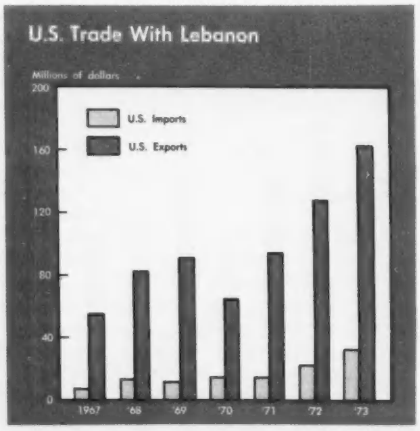
Lebanon's GNP growth during 1974 and 1975 is expected to return to the normal 7 percent annual level achieved before 1973, a year when growth slumped temporarily because of unsettled conditions related to the Mideast crisis.

Local and foreign business confidence in Lebanon is at an all-time high. Many European and American banks are acquiring interests in Lebanese banks or establishing their own facilities to tap some of the heavy Arab petrodollar flow expected through Beirut. Arab businessmen and institutions are investing in Lebanese industry and real estate as are also many wealthy Lebanese repatriates who are bringing back capital from Africa. Several new manufacturing plants are being established, including a new plant to produce 300,000 tires annually, and an expansion of the local textile industry is under way.

The very strong Lebanese pound has appreciated about 10 percent against the dollar recently and has also gained strongly against most other currencies. Consequently, U.S. goods are still fairly competitive price-wise in Lebanon. The sharp growth in U.S. banking activity in Beirut should contribute favorably to the U.S. trade position.

With the recent surge in U.S. exports to Lebanon making the United States Lebanon's principal supplier, it is likely that the U.S. market share has increased somewhat over the 1972 figure of 12 percent. Sales of passenger cars and trucks and of aircraft—two major American export categories to that market—are at record levels. Other traditional U.S. exports such as foodstuffs, cigarettes, chemicals, textile fabrics and oilseed are also growing sharply.

New areas of expanding U.S. exports, with good future potential, are paper and paper board, textile yarns, power generating equipment, construction and roadbuilding equipment scientific instruments and optical goods. U.S. firms should also explore trade opportunities arising from Lebanon's infrastructure and industrial projects and study the business equipment needs of Beirut's expanding financial, trading and industrial sectors.



Rising Demand In Africa Brings New Opportunities

Higher Commodity Prices Produce Greater Earnings

U.S. exports to Africa will again grow by more than 30 percent this year, rising from the $2 billion level of last year to around $2.7 billion in 1974. Ralph S. Edwards of the Bureau of International Commerce points out that this remarkable surge in U.S. sales to Africa will build on the similarly impressive gains made in 1973, which ended a three-year period of around $1.5 billion annual sales.

The sharply expanded African market for U.S. exports is due to three major factors: 1) greatly increased earnings by many African countries that are rich in energy and mineral resources; 2) important progress on major industrial and infrastructure projects in Africa; and 3) heavy demand for U.S. agricultural products—especially wheat—to alleviate food shortages in the drought stricken area of the Sahel, spreading across the continent south of the Sahara.

South Africa, Algeria, and Nigeria will be the top three markets in the area for U.S. export sales, followed by Morocco, Zaire, and Libya. High world market commodity prices have played an important role in expanding the earnings and import potential of all of these major markets. The suddenly sharp income growth will be particularly dramatic in the energy producing countries: Libya (petroleum), and Algeria and Nigeria (petroleum and natural gas). Other African nations will gain from rising prices for their mineral resources. These include gold and diamonds in South Africa, phosphates in Morocco, and copper in Zaire and Zambia.

Certain agricultural commodities will also continue to be important income earners, e.g. coffee in the Ivory Coast, Ethiopia, and Uganda, and cocoa in Nigeria, Ivory Coast, and Ghana.

This favorable export earnings trend has resulted in a substantial increase in the foreign exchange resources necessary for accelerated economic development. At the same time, the search for new mineral and energy sources continues to generate demand for U.S. technology and equipment in the fields of mining and oil and gas exploration and development.

As a result, construction and mining machinery is the fastest growing item among sales of U.S. capital goods; shipments were valued at $109 million during the first four months of 1974. Other categories of U.S. industrial equipment in rising demand by African countries include heating and cooling machinery, pumps and centrifuges, mechanical handling equipment, internal combustion engines, and electric power machinery.

As Africans expand their transportation networks, they are looking increasingly to American manufacturers to supply their needs. U.S. sales of aircraft soared to $214 million in the first four months of this year. Tractors, cars, and trucks are also selling well. New railroads in Gabon and South Africa and the refurbishing of the old line in Cameroon should continue to generate substantial orders for locomotives and related construction equipment.

Ethiopia, Algeria, Morocco, and Tunisia are prominent among African countries that offer excellent prospects for U.S. firms bidding on projects to expand their telecommunications networks.

The Republic of South Africa will remain the largest market in the area. The country's current business boom will offer expanding sales opportunities, with U.S. exports possibly reaching $1 billion this year.

Algeria will become the next largest African market for U.S. products in 1974. Higher oil prices will double the country's export earnings and help finance a new $25 billion Four-Year Plan (1974-77). New projects include a huge liquefied natural gas plant at Arzew.

Massive increases in oil revenues are also a key factor in making Nigeria the other major market. Widespread liberalization in trade and payment regulations as of April 1 is another development that should provide a favorable outlook for increased trade. U.S. suppliers will find major opportunities resulting from substantial government expenditures on a universal primary education system and on large-scale industrial projects—liquefied natural gas, power, iron and steel, etc.

Good prospects continue for U.S. products in a number of other country markets not covered by individual articles in the following pages. Oil-rich Libya is the largest of these markets, with U.S. exports comprised largely of mining and construction equipment, power generating machinery, pumps and centrifuges, and iron and steel tubes and pipes. The outlook is encouraging for continued sales of these products as well as agricultural machinery.

U.S. exports to the Sudan are also likely to continue increasing. Good prospects remain for sales of a wide range of U.S. capital goods needed for industrial development, including for example a massive irrigation project. Wheat sales are another factor boosting U.S. exports as the Sudan replenishes grain stocks depleted by the Sahel drought.

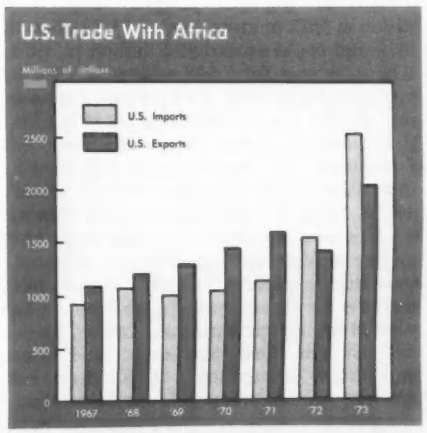
Exports to Ghana climbed to $62.8 million last year, ending a previous period of declining U.S. sales. Further expansion of this market may be slow in the near term, however, as the country continues its recovery from foreign exchange problems.

Africa in the 1970's has begun to reorient and diversify its economic patterns away from the traditional ties with former colonial powers. Indigenization policies in many countries have entered a serious phase, resulting in greater government and private African influence on economic decisions.

To penetrate this changing market and provide the alternative sources of supply sought by today's Africans, American exporters should combine aggressive sales efforts with attractive after-sales servicing and training support. American investors who provide for local equity holding and increased African participation in management can frequently achieve greater governmental support and improved market access.

Export financing assistance is available from the U.S. Export-Import Bank and protection of foreign receivables against commercial and political risks through the Foreign Credit Insurance Association. Examples of significant transactions recently approved by Eximbank include equipment for the LNG plant in Algeria, electric power line construction in Zaire, a hydroelectric project in the Ivory Coast and two 707 jet aircraft for the Sudan.

The Commerce Department is assisting U.S. exporters to Africa by sponsoring frequent trade promotion events. Trade missions are planned on agricultural equipment for Ethiopia, Kenya, and Sudan in October; on printing and graphic arts equipment for Nigeria and Swaziland in December; and timber industry equipment for Cameroon, Ivory Coast, and Zaire next February. A technical sales seminar on oil and gas field equipment and instrumentation in Algeria and Tunisia is planned for March. Catalog shows on food processing and packaging equipment, industrial and scientific equipment, and agricultural equipment will also be held in several African countries.



Algeria

Rapidly Growing Nation Requires Goods, Services

As Algerian economic growth moves into high gear, export earnings are soaring and imports are reaching record levels. U.S. exports have grown apace, continues David P. N. Christensen of the Bureau of International Commerce, and Algeria has become the second largest U.S. market in Africa.

Increases in petroleum prices will double Algeria's total export earnings in 1974 and help fund the country's new $25 billion Four-Year Plan (1974-77). Areas of concentration include industrial growth, infrastructure improvements, and increased exploitation of petroleum and natural gas resources.

Algerian GDP jumped by 18 percent in 1972 to $6 billion, or $440 per capita, and rose an estimated 10 percent in 1973. GDP could soar by 30 percent to 40 percent in 1974 as a result of the three-fold increase in the price of petroleum coupled with industrial expansion and initiation of major projects under the Plan, including petrochemical industries and various manufacturing operations. Natural gas reserves of 4 trillion cubic meters will permit Algeria to become a major gas supplier for Europe and the United States, with contracts totaling 80 billion cubic meters in annual sales already negotiated. The new gas liquefaction facilities will require billions of dollars in expenditures. Improvements in telecommunications, air, road, and railroad networks also occupy high priorities.

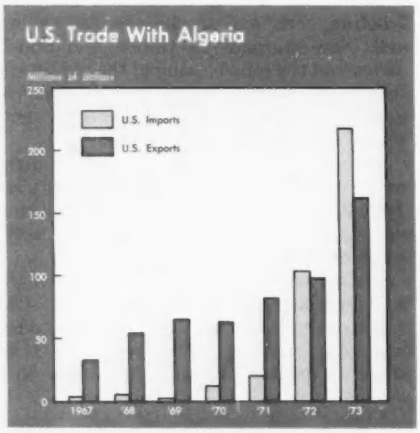
Algeria is a socialistic state and the government dominates the economy through state enterprises. However, foreign companies often establish excellent commercial relations with these state enterprises. Algeria has no preferential tariffs.

U.S. sales mount

Algerian imports jumped from $1.4 billion in 1972 to an estimated $1.8 billion in 1973 and could exceed $2.5 billion in 1974. U.S. sales rose from $98 million in 1972 to $160 million in 1973, a 62 percent increase, and should top $250 million in 1974. The U.S. market share increased from 6.5 percent in 1972 to an estimated 9 percent in 1973. Principal U.S. exports include wheat, tallow, aircraft, construction and mining machinery, locomotives, heating and cooling equipment and vehicles. Algerian economic expansion should create new markets for these products, as well as for computers, instrumentation, valves, pipes, oil and gas field equipment and communication equipment. U.S. technical services will also remain much in demand.

Algerian foreign exchange reserves, $428 million in 1972, are rising rapidly as funds flow in from increased export earnings, foreign loans, and remittances from Algerian workers in Europe.

Currently scheduled U.S. trade promotion events for 1975 include a technical sales seminar in oil and gas field equipment and another in communications equipment, a trade mission in materials handling equipment, and possible participation in the 12th Algiers International Fair.



Ivory Coast

Prospects Uncertain, As High Costs Strain Budget

Economic prospects for Ivory Coast appear uncertain to Marlene D. McKinley of the Bureau of International Commerce, as high inflation levels and major petroleum price increases strain the Ivorian budget.

Continued high world market prices for Ivory Coast's major foreign exchange earners, coffee, cocoa and timber, are expected to offset a major portion of the country's added expenditures, however. Revenues from these commodities, which account for 76 percent of Ivorian exports, are also anticipated to again, as in last year, supply the necessary purchasing power—$107.5 million total foreign exchange reserves as of February—to accommodate import demands. In addition, export earnings from commodities produced from Ivory Coast's oil refinery should serve to supplement the Ivorian income.

U.S. exports to this $620 million import market (1973) should reach $45 million by the end of this year, a 34 percent decrease from last year's sales of $69 million. This significant decrease is primarily a result of last year's $25 million one-time Ivorian purchase of United States commercial aircraft.

While France continues to be Ivory Coast's major trading partner, supplying 50 percent of the Ivorian market, the Government of Ivory Coast has made significant efforts to loosen its French commercial ties and explore new sources. In his October visit to the United States, President Houphouet-Boigney stated that he would concentrate on ways to improve the balance of trade between the United States and Ivory Coast. Subsequently, several development contracts were awarded to U.S. firms.

A U.S. company has just won a management and engineering consulting contract for the $100 million Bandama Hydroelectric Dam project. In addition, a U.S. firm is negotiating a contract for construction of its second sugar refinery in Ivory Coast. Another U.S. firm has recently established a consortium to exploit Ivory Coast's iron ore deposits.

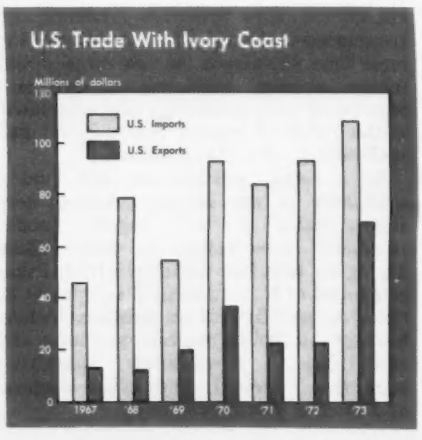
High market potential

Ivory Coast's GNP reached an estimated $2 billion at the end of 1973, a 10 percent increase over the previous year. Its impressive economic growth rate and $373 per capita income make Ivory Coast one of the most potentially prosperous markets in Africa.

In addition, its liberal investment laws and support to private business are attractive to foreign capital, and, consequently, foreign investment will also contribute to Ivorian development.

As several Ivorian development projects get under way, export opportunities for U.S. suppliers should emerge for agricultural and construction equipment, sawmill and wood cutting equipment, and food processing and packaging machinery. A recent realignment of the Ivorian tariff schedule, however, may result in curbing of consumer good imports.

U.S. trade promotional events scheduled for Ivory Coast include two trade missions—timber industry equipment, February, and food processing and packaging equipment, March—and a technical sales seminar on transportation and construction equipment and services, May. For further information contact the Africa Division, U.S. Department of Commerce.



Kenya

Import Controls Back, Foreign Exchange Drops

U.S. exports to Kenya soared 62.5 percent to $39 million in 1973, but Mary L. Manley of the Bureau of International Commerce does not expect a repeat of that performance this year.

Kenya's total import bill for 1973 reached $600 million as a result of rising prices in supplying countries. Imports rose sharply in the second half with a mid-year easing of restrictions and as a result of Kenyan efforts to fill gaps caused by disrupted imports earlier in the year. Increased U.S. exports reflected these factors as well as improved U.S. price competitiveness following the 1971 and 1973 world currency realignments.

Kenyan GDP for 1973 grew on the order of 11.2 percent (current prices), reaching $202.7 million. Agriculture again accounted for the lion's share of GDP growth, although performance in most sectors was buoyant.

Improvement in the balance of payments in 1973 came about almost entirely from the merchandise account. With rising costs of imports, foreign exchange reserves, which had reached $279.2 million in August 1973, declined to the equivalent of three months' imports in March. Higher oil costs and other increases in international prices was the most significant factor in Kenya's loss of foreign exchange.

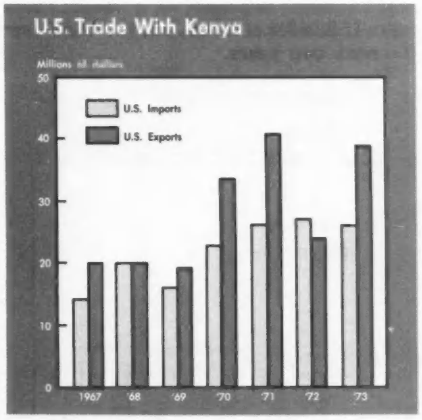
While the FY 1975 Kenyan budget will do little to dampen inflation or prevent loss of foreign exchange reserves, it will contribute to positive economic growth in the second half of 1974.

A 5 percent decline in Kenya's imports is foreseen for full year 1974. With reappearance of controls, Kenya is importing fewer consumer goods and luxury-type items. U.S. exports are largely capital goods and will reflect price rises rather than real trade expansion. Less U.S. pulp and paper mill machinery will be imported as the Kenyan Pan-African Pulp and Paper Plan nears completion. Shifting development emphasis from major road and building projects is likely to dampen demand for U.S. construction machinery. Rising costs of raw materials will probably adversely affect Kenya's ability to import certain U.S. capital goods for rural industries. Construction of a Mombasa-Nairobi oil pipeline is slated to begin late this year. The $75 million tourism industry, although hurt by the energy shortage, also continues to present attractive opportunities for U.S. sales and services.

U.S. exports to Kenya will continue strong in aircraft and aircraft parts, airport navigation aids, agricultural, construction and mining machinery, electrical transmission and distribution equipment, truck frames and parts, kraft paper and paper-board, men's and boys' clothing, synthetic fibers, and foodstuffs.

A broadly based $50 million livestock industry project, which has World Bank and AID support, will be launched in 1974. It offers opportunities related to range development, ranches, technical services, and construction of slaughterhouses.

To promote sales of U.S. goods and services to Kenya's expanding agro-industrial sector, the Commerce Department has organized an agricultural trade mission to visit Kenya in October.



Morocco

Ambitious Economic Plan Opens New Opportunities

Spurred by government economic stimulants under this first effective year of Morocco's $6.6 billion Plan, by an expected bountiful harvest this summer, and by increased private investment outlays, the Moroccan economy in 1974 offers an excellent market for American machinery and equipment suppliers, as well as a stepped-up construction program which should appeal to U.S. design/consulting firms.

Laron L. Jensen of the Bureau of International Commerce goes on to say that the GNP of $5.1 billion in 1973 could advance 10 percent in real terms in 1974 if the ambitious public investment target of $600 million is reached. This will exclude an estimated 12 percent inflation figure, a rate that is as new as it is high for Morocco.

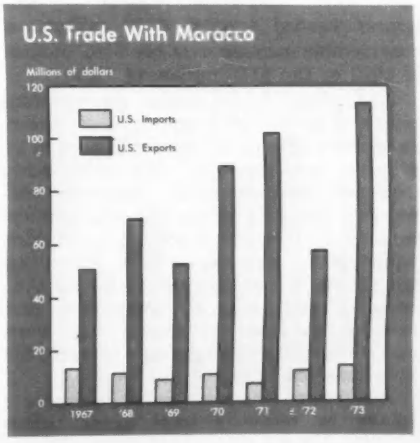
Businessmen are encouraged by government investment plans being effected this year, but are maintaining a wait-and-see attitude toward the process of Moroccanizing (buying 50 percent equity in) the services sector and specified industries. An investment promotion mission, headed by Dr. Mohamed Benhima, visited the United States in March to encourage American private investment in Morocco. Attractive investment codes encourage foreign direct investments in agribusiness, light manufacturing for export, and tourism.

Imports in 1974 may reach a record $1.7 billion, up 40 percent from $1.2 billion in 1973. Crude petroleum imports will absorb one-fifth of the total; intermediate products and capital equipment will make up another two-fifths and grow in absolute terms. Last year U.S. exports reached $113 million, of which 57 percent was wheat and other cereals. U.S. exports in 1974 will grow substantially because of continued high wheat sales through mid-year, expanded sales of capital goods for new public and private investments, and higher prices. Through April U.S. sales totaled $65 million, triple that for the same period in 1973.

Record phosphate earnings, flowing from a 300 percent price increase in January and another 50 percent jump in July, will add $1 billion to government coffers and enable Morocco to pay for both increased petroleum costs and planned capital improvements. Other agricultural exports, tourism (Morocco's fastest growing industry), and remittances from overseas Moroccans will contribute to a balance of payments surplus in 1974. Foreign borrowing, especially from international agencies, is also on the increase.

Numerous projects identified in the Plan are under way or firmly programmed, including two new ports; a thermal power plant; improved telecommunications facilities; cement, chemical, sugar, and food processing plants; and new roads and transport improvements. Commerce-sponsored promotions which will take advantage of some of these opportunities in 1975 include: a scientific instrumentation catalog show, materials handling equipment trade mission, communications equipment technical sales seminar, and an exhibition at the Casablanca International Fair.

Details on these projects, as available, and on proposed U.S. trade promotions can be obtained from Africa Division, U.S. Department of Commerce, Washington, D.C. 20230.



Nigeria

Increasing Oil Revenues Accelerate Development

As the world's sixth largest crude oil exporting country, Nigeria has profited immensely from the escalation in oil prices. Current production at a rate of 2.5 million barrels of oil a day is expected by Rodney P. Rydlun of the Bureau of International Commerce to bring in about $9 billion during 1974. Increased imports of essential capital goods and a wider selection of consumer manufactures, as well as more capital investments, are being fostered by increased government spending, trade and payments liberalization, and serious efforts to minimize effects of imported inflation on Nigeria's real growth.

Crude oil production and real GNP are expected to continue a 10 percent annual rate of growth. However, with a population of 80 million, estimated real GNP per capita remains around $120 and places Nigeria among the world's poorest countries.

Foreign business confidence in Nigeria has been boosted by the apparently smooth implementation of the Nigerian Enterprises Promotion (Indigenization) Decree of April 1. Under the terms of this law, Nigerian equity and management skill is being developed in 55 categories of small and medium, non-technical service, manufacturing and assembly operations. The new Nigerian managers are favoring new sources of supply, offering U.S. firms the opportunity to penetrate this market.

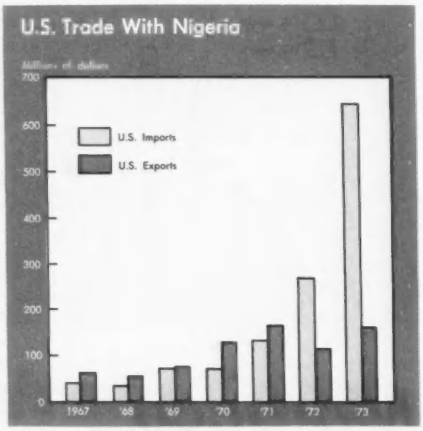
The naira has been revalued in terms of the U.S. dollar from $1.52=1N to $1.61=1N within the last three months. Also, inflation has eaten away at the cost advantage of many of our competitors. Therefore, where U.S. products were always favored for their quality, many U.S. products now compete favorably price-wise in the Nigerian market-place.

U.S. sales of electric power machinery, wheat, and iron and steel tubes and pipes led advances during the first four months of 1974. U.S. exports to Nigeria in 1974 appear headed toward $230 million, a considerable increase over the $161 million of 1973 or the $115 million of 1972.

Upcoming U.S. trade promotions proposed for FY 1975 are especially tuned to opportunities in Nigeria for U.S. sales of printing and graphics arts equipment, transport and construction equipment and services, airconditioning and refrigeration equipment, business machines and office equipment, and materials handling equipment. A catalog show featuring U.S. hospital and medical equipment and services in June in Lagos was very successful at turning up viable contacts for 169 firms exhibiting.

All foreign business must incorporate locally or retain a local agent before operating in Nigeria. Foreign capital, however, is welcome, especially in non-oil sectors. The training of Nigerians in business and industry is an important consideration in any U.S. joint venture proposals.

Compulsory universal primary education will be introduced nationwide by 1976. This will call for an estimated $2.5 billion of expenditures on teacher training systems, facilities, and classroom essentials for 17 million students. Government decisions are imminent also on LNG, iron and steel, and truck plants, infrastructure projects, and improvements in Lagos, all of which could mean U.S. sales of more than $1 billion over the next two years.



South Africa

Growth, Gold Earnings Building Import Demand

Aided by high gold prices, South Africa is becoming one of the world's largest importers of foreign manufactured goods. Ralph Edwards of the Bureau of International Commerce believes that U.S. sales to this market could reach the $1 billion mark in 1974. This would amount to an increase of about 35 percent over the $746 million sold there in 1973. U.S. exports to South Africa in the first four months of 1974 stood at $335 million—more than double their value during the same period last year.

South Africa's purchases are expected to remain high as the economy, bolstered by the government's expansionary fiscal policy, continues to recover from the difficulties of the fuel crisis. Although economic growth remains below that envisaged in the development plan, the rate of increase in the real gross domestic product rose from 3 percent in 1972 to about 4 percent in 1973. The country's Finance Minister recently predicted a further increase to a real growth rate of between 6 and 8 percent in 1974.

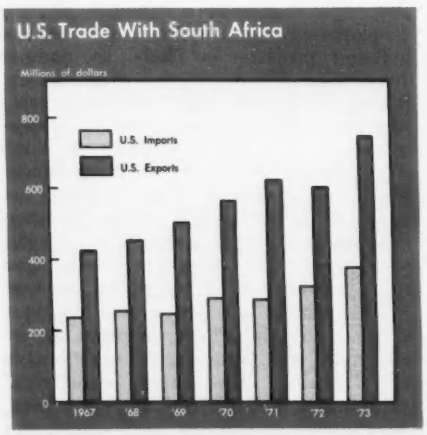
The foreign reserve position of South Africa is registering even greater improvement. This is due to rising export prices for the country's rich mineral assets, particularly the bullish outlook for gold. In addition, sales of diamonds exceeded $1.3 billion last year. Expanded mining and production of platinum and titanium is also planned.

Much of this newly acquired foreign exchange is being spent on capital goods for industrial development. The increase in imports of machinery and electrical equipment from 1972 to 1973 led all other sectors, growing by 27 percent to nearly $1.2 billion. U.S. suppliers are likely to remain very competitive in this field. Machinery and transportation equipment have accounted for more than half of recent U.S. shipments to South Africa. Sales of U.S. crops, such as milled rice, may decline as the agricultural sector recovers from last year's drought.

Specific foreign products that will continue to be in strong demand include organic chemicals, textiles, machine tools, construction and mining machinery, power generating machinery, and mechanical handling equipment. South African importers are buying a wide range of U.S. transportation equipment.

Inflation heads the list of continuing economic problems in South Africa. The government has relaxed import restrictions, adopted voluntary price controls, and recently raised the bank interest rate from 6.5 to 7.5 percent. Nevertheless, last year's inflation rate of 10 percent threatens to worsen.

Rational labor utilization also remains a problem and is a factor in the inflation picture. Many South African businessmen appear to feel that continued restrictions on their access to the whole of the South African labor force tend to increase labor costs of production and inhibit expansion. Although South Africa has taken some modest steps toward greater training and employment of black South Africans, racial barriers continue to have serious economic (as well as social and political) consequences.



Tunisia

Growth, Exchange Gains Push Foreign Trade Up

Impressive economic growth and expanding foreign exchange reserves are boosting Tunisian foreign trade to record levels in 1974. David P. N. Christensen of the Bureau of International Commerce expects Tunisian imports to reach $750 million this year.

This Tunisian economy is gaining momentum, continues Christensen. Agricultural production will approach record levels, the industrial base is expanding, and prices on Tunisian export items are climbing. Tunisia's current Plan includes major projects which require substantial imports of capital goods.

In 1972 Tunisia's GDP climbed 18 percent to $2.4 billion, or $420 per capita. It reached only $2.5 billion in 1973 but moved up sharply in early 1974 and is now approaching $3 billion. Continued GDP growth appears likely. The growth in 1974 will come from increases in agricultural production, three-fold price increases in petroleum and phosphate exports, and the impetus to the growing industrial base provided by the current $3.5 billion Four-Year Plan (1973-76).

Tunisian political stability and a shift from state socialism to strong support for private investment have inspired business confidence. Generous investment laws and preferential access to the European Common Market are attracting foreign investors.

Tunisian imports, which rose 19 percent in 1973 to $648 million, should climb 15 percent in 1974 to $750 million. U.S. exports leveled off at $60 million in 1973 while the U.S. market share slipped from 12 percent in 1972 to 9 percent in 1973. With a projected increase of 25 percent, U.S. exports should hit $75 million in 1974, or 10 percent of the market. Leading U.S. exports are wheat, flour, soybean oil, aircraft, computers, pipes, and construction and mining machinery.

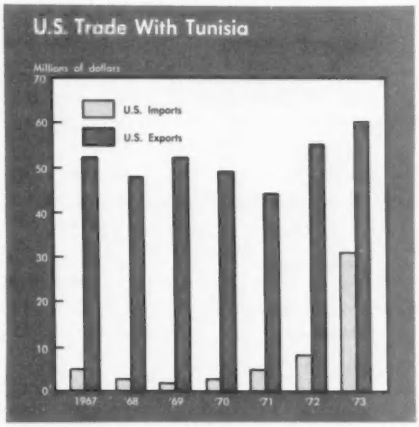
Promising prospects

Tunisian undertakings in agricultural modernization, industrialization, expansion of petroleum and mining activities, and infrastructure projects in telecommunications, roads and dams will open new markets for current categories of U.S. exports plus agricultural machinery, oil field equipment, heating and cooling equipment, scientific equipment, telecommunications equipment, consumer goods, and U.S. technical and engineering services.

Tunisia is liberalizing trade regulations and easing exchange regulations. However, France and Italy are likely to remain Tunisia's principal suppliers.

Tunisian foreign exchange reserves, already at a record $300 million, will continue to grow thanks to greatly increased export earnings, remittances from Tunisian workers in Europe, foreign loans and grants, and tourism earnings.

Scheduled U.S. trade promotion events in fiscal 1975 include an in-store promotion of consumer goods in December, a technical sales seminar in oil and gas field equipment in February and one in telecommunications equipment in June, and participation in the Tunis International Fair in May.



Zaire

Copper Revenues Climb, Import Market Expands

U.S. exports to Zaire reached a record $115 million in 1973 and should better that level during 1974. Zaire's demand for capital equipment and engineering services will grow, adds Frank A. Ocwieja of the Bureau of International Commerce, although orders for consumer goods may lag behind last year's pace.

Several major projects will lead Zaire's market growth in the second half of 1974. These include mining and metallurgy expansion plans of the state-owned GECAMINES and construction by a U.S. firm of an international copper mining operation, SMTF. Progress on the second phase of the Inga hydroelectric complex and the Inga-Shaba transmission line will continue to bring U.S. equipment and services into the country. Petroleum drilling, highway and railroad improvements, and expansion of the telecommunications grid are also planned for the coming year.

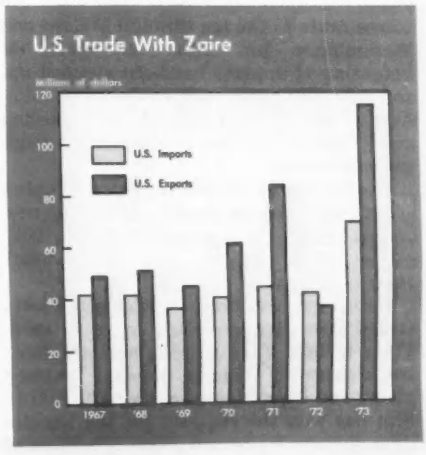
Zaire's gross domestic product (at $2.6 billion) grew by a 5 percent real annual rate in 1973, led by increased copper production. High world market prices for copper and other minerals helped Zaire to balance its international payments as exports grew by about 45 percent. While import growth was a moderate 11 percent in 1973, it will pick up quickly during the next few years as large orders of capital equipment are delivered. Export receipts should also continue to climb as mining output increases and Zaire's goal of 100 percent in-country copper refining is reached.

The U.S. share of the Zairian market reached about 15 percent in 1973 compared to 6 percent the previous year. Half of these sales were of commercial aircraft, and several more will be delivered this year. Other leading U.S. exports were automotive vehicles, wheat, construction and mining machinery, and tobacco. Demand will continue to be high for these products, while U.S. suppliers will also find sales opportunities for communications, electrical switching, health care, materials handling, and vehicle maintenance equipment and building materials.

The exploitation of Zaire's forests will require new sawmill and woodworking machinery. Unification of the country's four railroad systems will generate significant purchases of rolling stock, rails, signalling and maintenance of way equipment. Special opportunities also exist in Zaire for firms willing to participate in joint ventures in power-intensive industries, such as metallurgy and metalworking.

An important new element in this market is the take-over early this year of most foreign-owned import, wholesale, and retail firms by Zairian nationals. The principal short-term effect of this Zairianization program has been disruption of the internal distribution system and reduction of orders for imports, especially consumer goods.

U.S. exporters, however, could well benefit from Zairianization in the long run as Zairians replace the former owners of businesses that had established ties with European suppliers. U.S. firms can make use of the Commerce Department's World Traders Data Report service and Agency/Distributor Services in identifying new representatives for their products in Zaire. The United States will participate in the Fourth International Fair of Kinshasa the following June.



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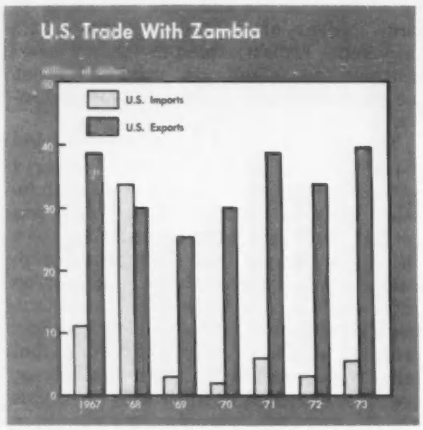

Zambia

High Copper Earnings Boost Market Prospects

U.S. firms are in an improved position to enlarge their share of the Zambian market, due to their own expanding activity bolstered by Eximbank financing and AID funding, reports Mary L. Manley of the Bureau of International Commerce.

The 2 percent rise in Zambia's GNP to an estimated $2,014 million in 1973 was due primarily to improvement in the terms of trade. From an average of $1,246 per ton in January 1973, copper prices soared to $2,283 per ton later in the year. Income from exports (95 percent copper) increased over 50 percent while imports declined. With achievement of a $600 million trade surplus, the balance of payments improved dramatically. Imposition on the mining companies of a system of special deposits into the Bank of Zambia has mitigated growing inflationary pressures. The money supply increased by 26.4 percent in 1973 and bank liquidity was consistently over 50 percent.

A landlocked country, Zambia is very vulnerable to transportation difficulties. An access route to the sea through Malawi and Mozambique has been developed, air freighting of imports has been stepped up, and the Benguela rail route to Lobito, Angola has proved capable of handling more than 50 percent of Zambia's foreign trade volume.

The slowdown in economic development in 1973 has been reversed in 1974. The new budget calls for expenditures of $247 million, 62.3 percent over the amount actually expended in 1973.

With sufficient funds available, projects stalled since 1969 are likely to go forward. These include a compound fertilizer plant, truck assembly plant at Kasama, battery plant, and expansion of a sawmill. A U.S. firm has won the contract for the Lusaka telex system. A planned major expansion of the telephone network into rural areas and a microwave relay system to the Tanzanian border hold promise for U.S. business.

Other export prospects relate to the following projects under consideration: a 200-ton a day iron and steel mill; a hydrocarbon cracking plant; a new mining and concentration project for low-grade ore in Northwestern Province; and a 450-megawatt "Stage 3" for the Kafue hydroelectric power station. In addition to equipment for mining expansion and for major transportation and communications projects, chemicals, medicaments, medical equipment, farming and irrigation equipment, food processing and packaging equipment, and data processing systems are areas in which the U.S. is competitive.

U.S. Share Of Imports Into Selected Countries

Area and country	1972 Imports			1973 Imports January through latest month			
	From world	From U.S.	U.S. share	Latest month	From world	From U.S.	U.S. share
	(million dollars)		%		(million dollars)		%
LATIN AMERICA							
Barbados	142	27	19.3	Dec.	169	35	20.9
Bermuda	115	53	46.3	(1)	(1)	(1)	(1)
Guadeloupe	148	7	4.5	Dec.	202	(1)	(1)
Guyana	145	35	24.4	Nov.	153	40	26.0
Haiti[2]	66	29	43.9	Sept.	70	(1)	(1)
Martinique	173	8	4.7	Dec.	244	(1)	(1)
Panama	438	152	34.7	June	213	75	35.3
Paraguay	83	16	19.6	Dec.	122	20	16.6
Uruguay	187	19	10.4	Dec.	298	31	10.5
WESTERN EUROPE							
Iceland	234	19	8.0	Dec.	350	26	7.4
Ireland	2,102	160	7.6	Dec.	2,789	192	6.9
Malta	175	10	5.7	Dec.	240	14	6.0
FAR EAST							
Fiji	158	5	3.0	Dec.	205	10	4.7
Laos	44	[3]8	[3]18.2	Mar.	13	(1)	(1)
New Caledonia	209	9	4.4	Aug.	141	6	4.1
Sabah	209	20	9.6	Dec.	287	29	10.0
Viet-Nam, Rep. of	690	321	46.5	Dec.	656	304	46.4
West Malaysia	1,375	122	8.9	Dec.	2,087	171	8.2
NEAR EAST-SOUTH ASIA							
Burma	135	6	4.5	Apr.	40	2	5.0
Cyprus	317	19	6.0	Dec.	449	30	6.6
Iraq	713	29	4.1	Dec.	898	(1)	(1)
Jordan	267	47	17.7	Dec.	328	34	10.4
Sri Lanka (Ceylon)	335	26	7.7	Dec.	422	38	9.0
Syria	477	21	4.5	Dec.	583	22	3.7
AFRICA							
Angola	392	50	12.8	Oct.	427	35	8.2
Cameroon	299	33	11.2	Dec.	310	28	9.0
Chad	61	2	3.2	June	34	2	4.6
Ethiopia	189	18	9.6	June	99	9	9.1
Gabon	133	15	11.2	Feb.	19	1	5.5
Ghana	299	52	17.5	Sept.	319	(1)	(1)
Liberia	179	54	30.3	Dec.	193	(1)	(1)
Libya	1,043	66	6.3	June	765	52	6.8
Malagasy Republic	202	8	3.9	Sept.	146	11	7.7
Malawi	130	2	1.9	Sept.	104	2	1.9
Mauritius	120	4	3.4	Sept.	116	3	3.0
Mozambique	327	17	5.2	Aug.	293	14	4.9
Niger	65	3	4.9	Sept.	38	4	10.0
Reunion	198	1	0.5	(1)	(1)	(1)	(1)
Senegal	275	17	6.0	Dec.	359	27	7.5
Sierra Leone	121	8	6.4	Dec.	158	14	7.1
Somalia	73	[3]5	[3]6.5	Sept.	67	(1)	(1)
Sudan	353	14	4.0	Mar.	96	4	3.7
Tanzania[4]	410	20	4.8	Dec.	480	14	2.9
Togo	84	5	5.5	Oct.	83	4	4.4
Uganda	162	5	3.2	Dec.	156	3	2.0
Upper Volta	59	1	2.5	Mar.	16	(1)	(1)

Note: The selected countries are those whose total imports are valued at $50 million or more and are not covered in the country articles in this issue. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1]Not available. [2]12 months ending September. [3]Estimated from partial year data. [4]Excludes Zanzibar.

Source: Official trade statistics of listed countries. International Monetary Fund, *International Financial Statistics*.

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Commences – 3. Augt. 1492 – Landed – 12 Oct
Returned – 16 Jany 1493. Lisbon – 24 Mar
Voyage. 2.
C ——— 25. Sep. 1493 – St Domingo – 2
R ———
Voyage. 3.
C ——— 30 May. 1498 – Trinidad – 1. Augt 1498.
Last seen in Christen —— 1500.
Voyage. 4.
C ——— 9 May. 1502. St Domingo — 29 June 1502.
R ——— 12. Sep – 1504 – St Lucar — Dec. 1504.

Died at Valladolid 20 May 1506 – aged – 59.

Gulph of Mexico

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Mississipi

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Chesapeake

C Cod

St John

C Breton

Jamaica

Domingo

Virgin Isles

Barbadoes

Dominica

Martinique

St Lucia

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Porto Bello

Panama

Veragua

1 Nov. 1

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Tomo. I
Viages de Colon: Almirantazgo de Castilla.
De orden de S.M.
Madrid, en la Imprenta Real
año de 1825.